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# FINANCIAL TIMES

No. 27,610 Friday July 14 1978 \*\* 15p

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## NEWS SUMMARY

GENERAL BUSINESS

### Mideast military meeting possible

Israel and Egypt may resume their military committee talks as a result of yesterday's meeting between Egyptian President Sadat and Mr. Ezer Weizman, the Israeli Defence Minister. Tel Aviv military circles were hoping last night that Mr. Weizman would bring an Egyptian invitation to resume the talks in Egypt when he returns from Austria today. The Austrian meeting is also seen as lessening the chance of a stalemate at next week's London meeting of the Egyptian and Israeli Foreign Ministers and Mr. Cyrus Vance, the US Secretary of State. Back Page

### Six held on fraud charges

Six Rhodesians have been detained in connection with allegations of fraud and conspiracy of exchange control, Mr. Brendon Tracey, Rhodesia's Attorney-General, confirmed last night. His statement followed earlier comments by the Minister of Manpower that some people had been detained in connection with financial irregularities involving secret arms purchases. Page 4

### Race census

The Government is to include a question on race or ethnic origins in the 1981 census, Mr. Roland Morie, Health and Social Services Minister, said yesterday. He said the Government would listen to a full public debate before deciding on the final form of the question. Page 5

### EEC unpopular

Only 29 per cent of Britons believe EEC membership has been a good thing, says a public opinion survey published in Brussels. In London yesterday, Mr. Peter Shore, Environment Secretary, said EEC draft proposals on lawmaking were "ridiculous". Page 2

### Port demand

Mr. Sam Nujoma, president of the South West Africa People's Organisation, has said he will not accept independence for Namibia unless Walvis Bay port is included in the new state. Back Page and Editorial Comment. Page 16

### Violence plea

Some areas of South London are so lawless that even priests are afraid to live there, says the Bishop of Southwark. He called on political parties to end the "appalling evil and violence" in society and outline their programmes for doing so.

### Secrets report

The Cabinet has ruled out introduction of a Freedom of Information Act to fulfil the promise made in Labour's last election manifesto, the Prime Minister said yesterday. The Government would publish its reasons, in the next fortnight, in a White Paper which would make proposals for reforming Section Two of the Official Secrets Act.

### Briefly...

Chinese scientists have developed a wormwood-based drug to treat malaria.  
The body of assassinated former Iraqi premier Abdel Razak al-Naif was flown to Amman, Jordan, yesterday.  
Jewels worth £150,000 have been stolen from a Saudi Arabian princess's Belgravia home.  
Mr. Ralph Bennett, London Transport chairman, is to be recommended for a 33 per cent pay rise, which would make his salary £28,000 a year.  
Mr. Jeremy Isaacs, director of programmes, is to leave Thames Television. Page 6  
San Francisco police arrested 10 handicapped demonstrators who had been demanding that California honour a promise to buy special buses with hydraulic lifts.

### CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISER	FALLER
AB Electronic	118 + 5
AG Research	97 + 5
AVP	22 + 8
Autostand Security	83 + 8
3AT Inds.	317 + 7
Barclays Bank	320 + 5
Brunning	72 + 12
Daily Mail	315 + 2
Diamond Syng	230 + 8
Downing (G. H.)	225 + 6
Dowty	80 + 3
Imperial Corp.	273 + 7
Int. Tsl. Group	273 + 7
Jacksons Estate	190 + 5
Wagner & Southern	157 + 4
Wicks & Spencer	178 + 6
Wotherson	178 + 6
Spiras-Sarco	168 + 6
Wallis Fashion	106 + 11
Siebens (UK)	380 + 22
Ultramar	287 + 7
Pancontinental	151 + 2
Blackwood Hodge	58 - 4
Brentford Beard	32 - 4
BH Prop.	675 - 25
Daejan	230 - 6
Furness Withy	230 - 6
HK and Shanghai	316 - 17
Jardine Matheson	262 - 16
Nears Bros.	14 - 3
Rotaprint	104 - 7
Sine Dairy	151 - 8
Swire Pacific	52 - 4
Zettlers	876 - 9
BP	814 - 9
Anglo Amer. Corp.	237 - 9
Confinc Rhotinto	237 - 9

## World trade reform by year-end, say industrial nations

BY REGINALD DALE: GENEVA, July 13

The world's leading industrial nations today expressed confidence that final agreement on a comprehensive reform and liberalisation of the world trade system could be reached by the end of this year after more than five years of difficult negotiations.

Representatives of the US, the EEC, Canada and Japan said today that the industrialised nations had agreed to a series of trade talks which had been held in a marathon all-night session which ended here at dawn. A progress report on the negotiations will go to this weekend's seven-nation economic summit in Bonn to receive what Herr Wilhelm Haferkamp, EEC external relations commissioner, described as a "decisive impetus" from the heads of government. Mr. Robert Strauss, U.S. special trade representative, said the back of the Tokyo round had been totally broken. Nobody here today, however, was hiding the fact that a great deal of difficult negotiating still lies ahead, particularly on the key issues of agriculture, safeguards and subsidies and countervailing duties, where many major problems remain unsettled. In addition to the summit participants, today's statement had the support of Switzerland and New Zealand while Austria and the Nordic countries said they intended to add their backing. Australia, while declining to add its formal support, said it agreed with the general thrust of the statement in that substantial progress had been achieved. On the other hand, there is likely to be a far less enthusiastic reaction from the developing countries which have protested at the way the industrialised countries have conducted negotiations without their full participation. Today's agreement said the basis had been laid for new codes of conduct on customs valuation, government procurement and standards. Considerable progress had been made on subsidies and countervailing duties, although it was noted that "a number of important issues remain to be resolved. In a move which could be of major importance for the European aircraft industry, the statement said agreement had been reached on the aim of negotiating maximum freedom of trade in commercial aircraft, parts and related equipment, including "elimination of duties and to the fullest extent possible the reduction or elimination of trade restrictions or distorting effects of other measures."

## No pay limit deal with Tories, say railwaymen

BY PAULINE CLARK, LABOUR STAFF

THE BIGGEST rail union will ignore appeals for wage restraint and insist on a pay limit for the next general election. The 50-27 decision on pay policy by the union's policy-making conference in Llandudno, was not unexpected. It was a timely boost for Ministers from the last major union conference of the season as they prepare for next week's round of talks on the White Paper for Stage Four. Delegates of the 180,000-member union agreed to continue the social contract and joint discussions on economic strategy including pay with Labour, and overwhelmingly threw out a call for a return to a wages free-for-all. The railwaymen later voted resolutions demanding substantial pay increases and a restoration of eroded differentials, but neither within any time limit. About 12 more militant resolutions on pay, including a call for a basic £25 a week minimum wage, were withdrawn. The decisions will put the union firmly on the side of the moderates in any battle over the future of the special relationship with Labour at the TUC conference in September. The General and Municipal Workers Union will lead for the defence, with a resolution that asks the TUC to set its own negotiating guidelines, given that there will be no formal agreement with the Government on the shape of Stage Four. The miners have put a tough resolution calling the social contract into question. On Wednesday Mr. James Callaghan, the Prime Minister, received a standing ovation from the 77 National Union of Railwaymen delegates after he appealed for continuing pay restraint to prevent any further surge in inflation. But his success in winning the unqualified backing of the union group with close historical ties with the Labour Party—was all the more encouraging for the Government, since it followed hints by the Prime Minister that an earnings limit as low as 5

## Rises in prices down to 6%

By Elinor Goodman, Consumer Affairs Correspondent

THE RATE of increase in the index of price rises notified to the Price Commission fell sharply last month. Expressed at an annual rate, the rise in the six months to the end of June was cut to 6 per cent compared with 6.8 per cent for the six months to the end of May. The latest figure is the lowest since December and provides further support for the Government's claims that inflation will stay at, or about, its present level until the end of the year. Movements in the Commission usually takes three to four months to work through to the Retail Price Index. The index for June, to be published today, is expected to show a sharp fall from the 7.7 per cent 12-month rate reported for May. The rate of increase in the commission's index and the retail price index probably will fluctuate quite widely over the next few months and Mr. Charles Williams, chairman, said yesterday that it was wrong to pay too much attention to one month's figures. The important point to note was that the index had moved only within narrow limits about 6.5 per cent for the past eight months.

## Familiar

This is likely to become a familiar refrain from Mr. Roy Hattersley, Prices Secretary, over the next few weeks. While the drop in the retail price index for June will be particularly welcome in the light of the delicate stage of negotiations with unions over pay, Ministers will be anxious to avoid exposing themselves to criticism if the rate of increase returns to nearer 8 per cent later in the summer. Commenting on the commission's latest figures, Mr. Williams again stressed the need for "wage restraint in the next pay round. At present, he said, industry seemed to have been quite successful in absorbing recent increases in the costs of bought-in materials and fuels as well as the "more significant rise in labour costs."

### £ in New York

	July 13	Previous
Spot	\$1.8865-8866	\$1.8790-8890
1 month	0.48-0.49 dte	0.50-0.50 dte
3 months	1.25-1.15 dte	1.25-1.14 dte
12 months	4.80-4.70 dte	5.04-4.90 dte

## Eight years' sentence for Ginzburg

BY DAVID SATTER MOSCOW, July 13.

MR. ALEXANDER GINZBURG, Mr. Shecharansky will be sentenced to eight years in a Soviet labour camp while the State prosecutor in the case implored to Jewish emigration which led him to join the dissidents after his visa application was refused in 1973. The emigration of Soviet Jews was not the work of foreign spies but "a natural historical process" stemming from the fact that Jews in the Soviet Union cannot develop as Jews. It was difficult to defend oneself before a court with the audience "specially selected in advance." He pointed out that more than a year and a half ago, before his arrest, he had already been accused of treason by the Soviet Press.

## Absurd

He had never passed secret information to Mr. Robert F. Foltz, the former Moscow correspondent of the Los Angeles Times and considered the bulk of the prosecution evidence absurd, he added. The prosecution had failed to produce one document in its own handwriting tying him to espionage. In Vilnius, three members of the Lithuanian Helsinki Group who are not under arrest were called to testify in the trial of Mr. Pyatkus, but all three refused. Mr. Pyatkus, declining to testify, laid his head down in the dock and closed his eyes. Mr. Elton Finkelstein, one of the group members, explained his refusal by saying "I'm a physician, not a comedian."

Reginald Dale writes from Geneva: Mr. Andrew Young has made what is tantamount to an apology in the face of a mounting storm of criticism over his suggestion that there might be "hundreds, perhaps even thousands" of political prisoners in U.S. jails. His remarks, first quoted in a Paris newspaper on Wednesday, led to criticism in Washington for his resignation as U.S. ambassador to the UN and raised new doubts over his political future. TASS, the Soviet news agency, has been quick to portray Mr. Young's interview as confirmation of political repression in the U.S. In a statement issued here, Mr. Young said that he was fully in accord with the strong condemnations of the persecution of Soviet dissidents made by President Carter and Mr. Vance. Excerpts from a lengthy interview had "given an erroneous impression of his views," he claimed. Tony Hawkins in Salisbury writes: Mr. Young was also the subject of a strong attack from Rhodesia's multi-racial transitional government over his

## Refused

In his closing speech this morning Mr. Ginzburg said he was innocent and refused to ask for mercy. He insisted that Solzhenitsyn's books were not anti-Soviet and that the facts attested in the Helsinki Group documents were completely true. The prosecutor, in the case of Mr. Shecharansky, 30, today demanded a 15-year sentence, with the first three to be served in prison and the rest in a labour camp. Although Mr. Shecharansky's alleged crime merited the maximum sentence, this was a first offence and the court should consider his relative youth, the prosecutor said. The court is not obliged to follow the recommendation but it no longer appears likely that

## Industrial production up 1.3%

BY DAVID FREUD

INDUSTRIAL activity is still moving upwards, although the recovery remains patchy. Latest figures show that industrial production in the three months from March to May was 1.3 per cent above the level of the previous three months. Manufacturing output rose by the same percentage. The Central Statistical Office's index of total industrial output registered a 1.9 per cent drop in May to 103.9 (1970=100), seasonally adjusted. However, officials believe that was an erratic fluctuation that arose because normal adjustments for seasonal factors failed sufficiently to account for changes in Bank Holiday timings this year. The underlying picture therefore emerges only from the three-monthly total, which the holiday factors balance out. The improvement in the latest three months is uneven, with main gains in chemicals, ferrous and non-ferrous metals, and the North Sea oil. However, there was a decline in the food, drink and tobacco sector, mainly because of low beer consumption. Coal production declined slightly and the previous upward trend for clothing and footwear levelsled out, reflecting a fall in retail sales after Easter. The figures bear out the findings of recent surveys into the UK's economic activity. The Confederation of British Industry's monthly trends inquiry, published a fortnight ago, concluded that output was likely to expand slowly through the rest of the year, giving an increase in real terms of about 3 per cent for 1978. On longer-term comparisons, the all-industries index, averaged out for the latest three months, now stands at its highest level since 1974. It was 5.5 per cent above the trough of the business cycle in the third quarter of 1975 and 1.5 per cent above the same period last year. An analysis by broad market sector shows that in the latest three months the output of consumer goods and investment goods industries both rose by 1 per cent over the previous three months. Output of the intermediate goods industries rose by 2 per cent.

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## EUROPEAN NEWS

PESSIMISM ON MEDIUM-TERM GROWTH

## Bonn sees need for fresh stimulus

BY ADRIAN DICKS

THE WEST GERMAN economy will need additional measures to support growth next year, irrespective of the political desirability of any contribution Bonn makes at this weekend's world summit here towards an international economic recovery package.

This is now the view of senior officials responsible for formulating economic policy, and it is based on their assessment of the economy's disappointing performance during the first half of this year and on the prospects for the next 18 months.

In this view, an additional 1 per cent boost is needed in 1979. Despite currently firm consumer demand and better-than-expected export orders, senior officials now believe there is not enough steam in the economy to maintain satisfactory medium-term growth.

Although figures for second quarter gross national product

are not yet available, they are not expected to have made up for the very low first quarter performance, which suffered from bad weather and from last spring's labour disputes. For the whole year, it is now officially expected that GNP growth will be closer to 2.5 per cent than to the 3.5 per cent forecasts last January.

Assuming some further acceleration to a yearly rate of 3 per cent next year, given present policies, senior officials believe an extra 1 per cent is desirable in order to prevent a further increase in unemployment.

In the past, a consensus view has been that 4 per cent annual GNP growth is the minimum needed to bring about any decline in unemployment from the average of about 1m at which it has remained since 1975.

The view now held by the government is that 4 per cent

will barely keep unemployment at present levels, because of the need to find jobs for about 800,000 more school-leavers between now and 1985. An additional factor is the accelerating pace of rationalisation in several major industries.

Although top economic officials are now prepared to add such "banking measures" as a shortened working week to the structural labour market policies already in force, the conclusion is that additional stimulus is going to be needed. In keeping with the timetable already laid down by Chancellor Helmut Schmidt, no decisions have yet been prepared for the Cabinet.

However, it is understood that Herr Manfred Lahnstein, state secretary at the Bonn Finance Ministry, and Dr. Otto Schleich, his counterpart at the Economics Ministry, have been asked to work out measures for consideration during the

three-day cabinet meeting on July 26-28. Until very recently, the declared purpose of this three-day marathon has been to set final 1979 budget figures.

It is now clear, however, that the Cabinet will be receiving considered advice that further measures to underpin growth are needed.

In addition to tax reforms reducing the inflation trap for workers in the lower wage brackets, senior officials here are known to be examining additional spending measures including higher child allowances and programmes to promote research and development by business.

Equally stressed, however, is the need both on economic and political grounds to reduce the public sector deficit from its present DM 60bn, and in this connection the most probable measure is a further rise in standard value added tax to 13 per cent.

## Carter opens visit to West Germany

By Jonathan Carr

BONN, July 13.

PRESIDENT Jimmy Carter of the United States today began an official visit to West Germany amid public declarations of friendship and solidarity from both sides—and some trepidation in Bonn about the outcome.

In his greetings statement issued before the President flew in to Bonn-Cologne airport, Chancellor Helmut Schmidt described relations between the two countries as better than ever before.

The President made a very similar remark in an interview released here, also describing Herr Schmidt as a "personal friend."

Bonn government officials say that there are currently no major U.S.-German bilateral problems. Other difficulties, for example, those over delivery of American enriched uranium to the European Community, are felt to have been averted for the present.

But there remain fears that the American-Soviet relationship could still markedly deteriorate—not least because of reaction to the trials of Russian dissidents. This in turn would impair West Germany's own efforts to seek better relations with Eastern Europe in general and East Germany in particular.

Further, a big question-mark hangs over the U.S. attitude at the seven-nation Western economic summit conference, to be held here on Sunday and Monday.

It is assumed by the Germans that President Carter will not be coming to the conference table "with empty hands"—meaning that some further undertaking is expected on reduction of U.S. trade and payment deficits.

But in a television interview shown here, Mr. Carter was careful to stress that the deficit was not simply induced by oil imports—but also by purchase of goods from Germany and Japan, two trade surplus countries.

Mr. Carter's main bilateral talks with Herr Schmidt will be held tomorrow. On Saturday morning the President will go to Frankfurt and visit American forces stationed nearby. He will then fly on to West Berlin—the third such visit there by a U.S. president. Herr Schmidt will be accompanying Mr. Carter to Berlin.

## Len Murray warns of protectionism

By Christian Tyler, Labour Editor

A PRE-SUMMIT warning of the dangers of a stampede into protectionism and a call for a new kind of Marshall aid plan came yesterday from Mr. Len Murray, TUC general secretary, addressing trade union leaders from 15 countries in Düsseldorf.

The union leaders, accompanied by Herr Hans Matthöfer, West German finance minister, were later meeting Herr Helmut Schmidt, the German Chancellor, in Bonn to press the case for action on unemployment. The basis of their submission is a paper drawn up by the trade union advisory committee to the OECD, which among other things warns that political and social unrest is on the horizon.

Mr. Murray said political leaders at the Bonn summit should reassure workers that they understood the reasons for the present "appalling" level of unemployment, that they cared about the fate of the unemployed, and that they had the will to find solutions.

"There is now an opportunity for a new Marshall aid plan, through which the major industrialised countries of the world can help to boost purchasing power in the poorer regions of Europe and the Third World too."

## Spanish parties may agree on concessions to Basques

BY JIMMY BURNS

MADRID, July 13.

THERE ARE growing signs that the Government and the Basque nationalist Parliamentarians may reach agreement on the status of the Basque region in the new constitution.

It emerged today that leaders of the Spanish Socialist Party and the PNV, the principal Basque nationalist Parliamentarian party, have over the past week held private discussions with the leader of the Partido Nacional Vasco (PNV), the principal Basque nationalist Parliamentarian party.

The talks are aimed at reaching a substantial compromise on the question of autonomy in the Basque region. This would involve certain amendments to the present text of the constitution giving greater local administrative powers to Basque officials.

In return the PNV would back down from its threat of forcing a dangerously divisive debate on the constitution, and would instead urge its supporters to vote for the final text during the new constitution.

The PNV has proposed 23 amendments to the final text of the constitution, mainly on those articles that refer to the rights of the autonomous regions. Most of these have so far been rejected.

The PNV has consistently argued that Government intransigence over the constitution threatens to sacrifice the chance of a peaceful solution to the troubles in the Basque region.

The Government and the opposition Socialist and Communist parties have countered this by accusing the PNV of

inflexibility and of playing into the hands of ETA, the Basque terrorist organisation. Yesterday a significant breakthrough in this impasse came with the first Parliamentary approval of a PNV amendment on the constitution.

Combined votes from the UCD, Socialist and Communist parties secured a PNV proposal that the right of habeas corpus should be retained during a state of emergency.

Negotiations between the Government and the PNV are taking place during the latest upsurge of violence in the Basque country.

Late last night, Basque riotous expanded into a Madrid suburb when riot police clashed with over 3,000 Left-wing demonstrators protesting at the death of a student killed in Pamplona last weekend.

## Few Britons back EEC membership

By Guy de Jonquieres

BRUSSELS, July 13.

PUBLIC SUPPORT in Britain for membership of the Common Market has now sunk to its lowest ebb since EEC entry, according to the latest of the six-monthly "Euro-barometer" opinion polls conducted through-out the Nine by the European Commission.

It finds that the proportion of the British public approving of membership has slipped to only 29 per cent since last spring from 35 per cent the previous autumn. The number of outright opponents remained stable at 38 per cent, while 28 per cent had no opinion either way.

The previous low point in public approval of the EEC was registered in September 1973, nine months after Britain joined, when 31 per cent of people said that they were in favour of membership. The Community's most popular period in the UK was during late 1975 and 1976, when roughly 50 per cent of public opinion was in favour.

Though pro-market sentiment remains weaker in Britain than in any other of the Nine, recent months also appear to have witnessed the growth of disaffection with the EEC elsewhere. The only country where the proportion of pro-market sentiment has increased since last autumn is the Netherlands, where an overwhelming 75 per cent are in favour.

By contrast, interest in the forthcoming direct elections to the European Parliament appears still to be running at a high level. While less than 60 per cent of the public supports EEC membership, 71 per cent say they favour direct elections and 77 per cent say that they are likely or certain to vote in them.

In Britain, 65 per cent of people favour the idea of the election, and 73 per cent declare that they intend to participate in them.

The poll provides no explanation for this apparent enthusiasm. Less than half of those polled throughout the EEC believe that the elections will advance the process of integration, while a slightly smaller proportion say that the elections will enhance the feeling of being "citizens of Europe."

## Dutch consider participation system change

By Charles Batchelor

AMSTERDAM, July 13.

HOLLAND is studying a plan to give the workforce and shareholders a greater say in the appointment of supervisory Board members of major companies. If adopted it would bring Dutch legislation more into line with that in West Germany.

Workers and shareholders now have equal rights to recommend new members to the supervisory Board—the top level of the two-tier Board system—and a limited right of veto.

But the final word still lies with existing members of the Board who co-opt new members. The Government has now asked the Social Economic Council (SER), an advisory body with employers' representatives, to government, union and stock exchange.

The council has been asked to decide whether the present system should be continued or modified, or whether it should be replaced by one whereby employees and the shareholders each nominate one-third of the members and both sides agree on the remaining third.

The SER has also been asked to recommend whether the system of supervisory Boards should be extended to cover co-operative associations and other large groupings.

Holland today announced it will value its gold holdings to bring them more into line with current market prices. The Dutch will value their sizeable gold stocks at £1,500 (\$3,300) per kilo from August 1 onwards, with the present rate of just over £1,000.

The net effect of the increase is to raise Holland's total gold and foreign exchange reserves by 22 per cent to £1,335bn (\$10,500bn).

## WEST GERMAN CHEMICAL INDUSTRY

## Competition hits sales

BY GUY HAWTIN

FRANKFURT, July 13.

THE WEST GERMAN chemicals industry has failed to meet its own very modest growth targets set at the beginning of the year. During the first five months of 1978 sales were down on last year's figures, while profits which fell heavily in 1977, suffered further attrition.

A report by the country's Chemical Industry Association, the Verband der Chemischen Industrie (VCI), said that the latest data showed that sales in the sector during the first five months of the year were about 1 per cent lower than in the comparable period of 1977.

Admittedly the statistics look better than those for the first quarter, when turnover was running at 2 per cent below the opening three months of 1977. However, the first quarter turned out to be the best part of last year and the industry was in a dismal decline in the months that followed.

Profits have continued downwards, said the report. Despite far-reaching rationalisation measures earnings industry-wide dropped by 18 per cent in 1977. Nor was there any let-up in the first quarter of the current year as earnings fell by about 25 per cent against the performance in the same period of 1977.

Although a certain improvement had been noticed in the months of May and June, the best the industry could hope for in the first half was for a stagnation of sales volume at the 1977 level, said the association.

The underlying reasons for the industry's difficulties are mainly the tough price competition, particularly in the bulk products sector. In the opening five months of the current year pro-

ducer prices fell back by 1.7 per cent. Chemicals export prices were under very severe pressure and had dropped by 4 per cent below the level of 1977. Declining prices meant that the industry could no longer bank upon even the modest 3 per cent improvement in production hoped for at the beginning of the year.

The industry's problems are not merely a result of the world's low level of economic activity, said the association. In many countries there were distinct trends towards protectionism and market control.

In many branches of the industry the current under-utilisation of capacity was being further exacerbated by the diminished build-up of production capacity of basic and bulk chemicals in many Comecon countries, as well as the construction of petrochemical plants in oil-producing countries.

In this statement, the West German chemicals industry has played a major role in building up the chemicals production capacity in both eastern Europe and among the oil producers. The effects of this has been felt in a number of sectors, including man-made fibre and, latterly, fertilisers, for some time.

The industry, according to the Association, is continuing to compete and hold on to its markets despite its extraordinary difficulties. However, the VCI wants to see "strict and fast" measures against dumping practices and low priced imports in order to head-off protectionist developments. On the profits front the Association says that the West Ger-

man industry is not only being hard hit by production capacity overhangs and extraordinarily high international price competition. Among its most knotty problems is the appreciation of the Deutschmark against the currencies of its most important competitor nations.

Despite the massive rationalisation that has taken place in the industry in the past four or five years, profits have been squeezed greatly. Margins have been reduced by the need to remain competitive abroad and as a result of increased foreign competition in the domestic market.

In the view of the VCI the industry's best prospects for maintaining and improving its international competitiveness comes from concentrated capital investment and exhaustive research. Last year the West German chemicals industry invested a total of DM 5,400 (\$2,640bn).

The industry would like to see increased incentives for private investment in order to bring about a stronger economic improvement in the Federal Republic. It is also appealing to the Government for a reduction in its trade tax and payroll tax burden, as well as a more liberal application of the country's environmental protection requirements, which are among the toughest in the world.

For the short term it is hoping for improvement in business during the second half of the year, particularly the autumn. However, last year the traditional second-half upturn failed to materialise and some of the industry's leaders appear sceptical about the prospects of one in 1978.

## Irish study Bremen proposals

BY OUR OWN CORRESPONDENT

DUBLIN, July 13.

THE HEALTHY showing of the Dublin gilt market this week, is being attributed in some quarters to interest from London buyers caused by speculation about the possibility of a break in the link between the Irish pound and sterling. If so, it is highly speculative, but it may perhaps be a measure of the interest generated by what the Irish Prime Minister Mr. Lynch has called the first practical possibility of breaking the link since the foundations of the Irish Republic.

That possibility has been provided by the scheme to link the European currency with the recent summit meeting in Bremen. The Irish Finance Minister Mr. George Colley, has been given the task of formulating Ireland's detailed views on the scheme. But Mr. Lynch has indicated his favourable attitude in Bremen, where he sat on the working party with Chancellor Schmidt and European President

Roy Jenkins, which produced the draft proposals. The problem is British reservation about the scheme. Should Britain decide in the end to opt out, the alternatives facing Ireland would be to opt out, or to break the link with sterling and tie in with the stronger European currencies.

In such circumstances the temptation would be for Ireland to break the link with sterling and tie in with the stronger European currencies. The Republic has been much more pro-EEC than the UK and tends to see its historic destiny as moving closer to Europe, and away from Britain.

It could be practical advantages as well as the boost to national prestige and pride. Ireland could expect that it would no longer "import" UK levels of inflation, as a result of the sterling link and also particularly with the European reserve of 50,000m dollars to protect its currency, the Irish pound might rise higher than sterling.

The dangers, however, would also be considerable. Although trade with Britain has fallen below the national average, 50 per cent of total trade the UK is still far and away Ireland's biggest trading partner and any dislocation could have repercussions on employment. A higher Irish pound might make Ireland more unattractive to British tourists, who already find it expensive in comparison with cheap continental packages. Farmers would benefit less from EEC adjustments to depreciation and the thought of separate currencies for the Republic and N. Ireland can assume the economic nightmare.

For these reasons officials in Dublin are being careful to stress that no decisions need be taken for some time yet, certainly not until after the detailed proposals are discussed at the end of October.

## THE FRENCH SOCIALIST PARTY

## Mitterrand survives to fight another day

BY ROBERT MAUTHNER IN PARIS

THAT WILY old fox, Francois Mitterrand, has done it again. Survivor of two presidential elections in which he was defeated, first of all by General Charles de Gaulle in 1965 and then by M. Valéry Giscard d'Estaing in 1974, eastward of the French general election last March, when the Union of the Left fell apart because of internal quarrels, Mitterrand is still leader of the Socialist Party. But only just.

Last week's meetings of the party's ruling bodies managed only to paper over the disagreements between various factions, and temporarily put a damper on widespread criticism of its leader. If M. Mitterrand, thanks to his prestige and unparalleled capacity for tactical compromise, succeeded in re-establishing a semblance of unity, it is still uncertain whether he will be re-elected as leader of the next party congress in the spring of 1979.

Whether he decides to run once again in the Presidential election of 1981, when he will doubtless be faced for the second time by President Giscard, will clearly depend on the outcome of the congress.

No less than the Communist Party, which has been shaken by a campaign led by the party's intellectuals, questioning the strategy adopted during the last General Election and calling for greater internal democracy, the Socialist Party is currently in the throes of an agonising reappraisal. Whereas, before the election, the Socialists were broadly divided into a relatively moderate majority and a volatile left-wing minority, representing some 25 per cent of the membership, there are now four factions.

The divisions are not entirely based on policy disagreements. The clash of personalities between M. Mitterrand and what were once his closest lieutenants and remain his heirs apparent, M. Pierre Mauroy and M. Michel Rocard, has been important in fanning the flames of dissent. M. Mitterrand, it is felt by an increasing number of the leadership and rank and file, has been running the party as an absolute monarch. He has not only excluded the left-wing CERES group from the National secretariat, but has failed to take into account the various streams of opinion within the majority of the party.

M. Mauroy, the genial 50-year-old Mayor of Lille and leader of the powerful Nord department party federation, has been in the vanguard of those demanding more democratic procedures. The national secretariat should be directly elected and regional federations should be given a greater say in the party's ruling bodies, he has proposed.

M. Rocard, for his part, has been concentrating most of his energies on persuading the party to take a more genuinely social-democratic line and would like it to make a clear break with the Communists. This brilliant 48-year-old graduate of the famous Ecole Nationale d'Administration, the nursery for top civil servants, has all along been an ardent defender of a mixed economy and was one of the staunchest opponents of the Communists' sweeping nationalisation proposals.

Ideologically, M. Mauroy and M. Rocard are very close, but the former is more cautious in his appreciation of the party's future strategy and tactics. Caution, too, is the watchword of M. Mitterrand and his supporters. Though everyone, except perhaps the CERES

group, accepts that the Common Programme of the Left is a dead letter and would have to be thoroughly modified before the Socialists ever put their name to a new agreement, M. Mitterrand still adheres to the concept of a Union of the Left. Adopted as the official strategy at the renovated Socialist Party's first congress in Epinay in 1971 and consecrated by the signature of the Common Programme of the Left a year later, an alliance with the Communists continues to be regarded by M. Mitterrand as the only way in which the Left could come to power.

Clearly, the Socialist leader is looking forward to the presidential election in three years' time, in which M. Giscard d'Estaing, bolstered by the prestige of seven years as President of the Republic, can only be beaten by a candidate who has the support of a united Left. If the Left again slips this opportunity of entering the halls of power, its chances of winning the next General Election in 1983 will also be jeopardised.

Electoral tactics, combined with the personal ambition of having one last fling at the Presidency—M. Mitterrand will be 65 in 1981—appear to be the main motives behind the Socialist leader's current stand. He has never espoused extreme left-wing doctrines and has little cause, after what happened during the last election campaign, to like the Communists. But, from M. Mitterrand, politics is very much the art of the possible and he considers that, having polled no more than 23 to 24 per cent of the popular vote in the last General Election, the Socialist Party would condemn itself if it decided to go it alone.

## Norway's trade improves

BY FAY GJETER

OSLO, July 13.

NORWEGIAN TRADE figures for the first half-year show an unexpected improvement, with exports 1.8 per cent higher, by value, than in the first half of 1977, and imports 0.2 per cent lower. This is the opposite of Government forecasts in the national budget.

June exports, at Nkr 5,963m, excluding ships, were the highest ever recorded in a single month, while imports, excluding ships,

were only Nkr 4,605m—the lowest for any month since May 1976. The June figures were boosted, however, by the export of offshore drilling and production platforms worth Nkr 2,417m. Mr. Per Martin Olsen, Deputy Trade Minister, says the fall in imports indicate that the Government's austerity measures are beginning to take effect.

Exports are developing rather better than the Government anticipated.

The improvement in the underlying rate of inflation is matched by some indications, on a seasonally adjusted basis, that the decline in industrial output may have bottomed out, although the authorities are not putting too much emphasis on the evidence of one month's figures.

ISTAT figures for May suggest that the overall production index was more than 2 per cent off over the corresponding month of the previous year, but some slight increase is shown up on a seasonally adjusted basis.

The fact is, however, that when M. Mitterrand made his appeal for unity at the recent meeting of the party's executive committee, neither M. Rocard nor M. Mauroy made any public attempt to question the Epinay line on the Union of the Left.

"What is at stake," M. Rocard said somewhat lamely, is not the fundamental question of whether this line is correct, but how it should be applied in practice."

M. Mitterrand, who also promised on that occasion to do something about introducing a more democratic system for electing party officials, thus lives to fight another day. For the moment, he still stands head and shoulders above his rivals, if only because he can muster the support of a much larger and varied section of the party when

destructive tactics during the last General Election campaign, have switched to the socialists, it is claimed. The political vacuum between the Right and the Communist Left is crying out to be filled by a genuine social-democratic party on the Swedish model.

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It comes to the crunch than they can.

What is new, however, is that the throne has begun to tremble. It will need all M. Mitterrand's famous political skill to keep his unruly barons under control at the next congress. There can be no guarantee that his crown, already askew, will not be tipped from his head.

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## AMERICAN NEWS

# Europe \$ plan bothers U.S.

BY JUREK MARTIN, U.S. EDITOR

THE U.S. is concerned about the excessive use of the dollar as an international currency in the new European monetary system, as presented in outline at the Bremen summit last week.

But at the same time, U.S. officials are attracted by the idea of greater co-ordination of European economic policies, implicit in the Bremen text, if it means that the stronger surplus countries, such as West Germany, are obliged to put more emphasis on growth.

In separate interviews yesterday, Mr. Anthony Solomon, Under-Secretary of the Treasury for Monetary Affairs, and Mr. William Miller, chairman of the Federal Reserve, stressed the consistent U.S. policy of encouraging moves towards greater European monetary and economic co-operation.

Mr. Solomon told the Financial Times that, although final judgment on the new European arrangement would have to wait until the details were in place, "there is no reason why it

should not be compatible with the broader needs of the international monetary system."

But he went on, if the system did require intervention in the foreign exchange markets to narrow differences resulting from disparate national economic performances, "then we would not think it appropriate that a country under pressure is drawing from a pool of dollars when it is really an internal (intra-European) affair."

"We would support the Bremen text," he said, "insofar as intervention is in each other's currency," but he noted, "the Bremen text does not exclude the use of the dollar."

In conversations earlier this year, when the new scheme was essentially a gleam in the eye of Herr Schmidt, the West German Chancellor, Mr. Michael Blumenthal, the U.S. Treasury Secretary, is understood to have impressed on the Chancellor that the U.S. would prefer that the Deutschmark be the major intervention currency, reflecting West Germany's economic

strength inside Europe.

In his interview with a group of foreign journalists here, Mr. Miller declined to make a detailed comment on the Bremen scheme, though he thought it constituted no particular threat to the dollar.

But, in a more philosophical vein, he said he saw "no disadvantage" in allowing to emerge evolutionary developments which could lead to the sharing of the international monetary burden the dollar had had to bear disproportionately in recent years. He added that moves towards greater European integration and other similar regional activities (such as "a yen zone in the Far East") should be looked at "objectively and with a sense of favour."

Mr. Solomon and Mr. Miller denied that the U.S. had any dramatic new monetary initiatives in the offing, to be presented at the Bonn summit elsewhere. Mr. Solomon said that speculation about a scheme which would link the dollar, the Deutschmark and sterling was

WASHINGTON, July 13.

"idle gossip." The U.S., he said, remained opposed to such "target zones."

Mr. Solomon, however, did acknowledge another potential reservation about the Bremen scheme, which has also been privately voiced by some senior members of the International Monetary Fund (IMF). This concerns uncertainty on the extent to which the new European arrangement might detract from the surveillance of foreign exchange policies conducted by the IMF.

This surveillance authority, now enshrined in changes in the IMF's articles of agreement, is considered of extreme significance, as are the conditions which the IMF lays down in return for advancing loans.

Some developing countries have complained privately that although the European plan contains provisions for conditionality, the suspension persists that the European regime would be softer on its members than the IMF, and thereby would bring into being an invidious dual set of rules.

## Warning by Miller of 'speculative excesses'

By Our Own Correspondent

WASHINGTON, July 13.

MR. WILLIAM MILLER, the chairman of the Federal Reserve Board, warned today that mounting inflationary expectations "raise the spectre of possible speculative excesses, leading to a short-run explosion of credit and output and subsequently to a recession."

However, he told the House of Representatives Budget Committee that Fed policy was designed to "minimise the possibility of such an outcome."

In an interview at the Fed yesterday afternoon with a group of foreign journalists, Mr. Miller doubted that a credit crunch was in the offing, largely because there was sufficient leeway in monetary and fiscal policy to prevent this.

His more alarmist comments to the House committee this morning, therefore, may be seen as part of his consistent effort to warn of the consequences of failure to control inflation. Wire service reports of his remarks today, however, knocked the credit markets in New York sharply downwards.

In his interview, he noted approvingly the recent trend towards greater economic discipline in the Administration and the Congress. He observed that the reduced Budget deficit projections for the next fiscal year should cut the Federal borrowing requirement by about \$12.5bn, which should ease undue strains on the credit markets.

The Fed's policy, he said, was designed to constrain the economy without running the risk of recession. He explained that the latest increase in the discount rate two weeks ago because the economic data of the time did not give a sufficiently clear picture of the course the economy was about to take, after a flat first quarter and vigorous real growth in the 8-9 per cent range in the second three months of this year.

## OVERSEAS NEWS

# UN soldiers kidnapped in Lebanon 'by Palestinians'

BEIRUT, July 13.

PALESTINIAN GUERRILLAS

kidnapped and later released 40 UN soldiers of the United Nations Truce Supervision Force in Lebanon today. The UNIFIL sources close to the force said today. They reported that the soldiers were abducted in three and four yesterday in and around the southern port of Tyre, where UNIFIL has a big garrison. They were released in the evening.

A UN spokesman said that "armed elements" kidnapped UN soldiers and then let them go unharmed. Talks were under way to avoid such incidents happening in future, the spokesman declared, but gave no details.

The incident was described as the worst confrontation between the guerrillas and UN troops since the shootout which took place in Tyre last May 2, in which several UN soldiers were killed. Western diplomats said the situation in southern Lebanon is deteriorating fast and related it to the tension in Beirut.

The diplomats said most of the

kidnapping was done by the militant Popular Front for the Liberation of Palestine. But a PFLP spokesman today denied any involvement by the group.

The reason for the kidnapping was not disclosed, but it may have been a retaliation to the confiscation by UNIFIL of weapons from guerrillas during the past few days. The commandos were reportedly trying to infiltrate behind UN lines.

So far about 150 guerrillas have succeeded in getting behind the UNIFIL's positions. Observers believe if fighting should break out again between Syrian troops and Christian militias here, the guerrillas will make an all-out attempt to go back to their bases in the south.

They were driven out of the bases and pushed over the Litani river when Israeli forces invaded the south in March.

## Australian fare rise

BY OUR OWN CORRESPONDENT CANBERRA, July 13.

AUSTRALIA'S DOMESTIC air fares rose by an average of 6 per cent tonight. The rises, approved by the Government at the request of the airlines, were announced by the Minister for Transport, Mr. Peter Nixon.

He said they were necessary to cover wage and fuel cost increases, and would have only a minimal effect on the Consumer Price Index.

The rises range from 4.1 per cent on the long Sydney to Perth and Sydney to Darwin flights, to 10 per cent on the short Sydney to Canberra route.

## Indian state coalition threatened

BY K. K. SHARMA

NEW DELHI, July 13.

THE COALITION Government of Maharashtra State in which Mrs. Indira Gandhi's Congress Party is a partner, looks certain to be toppled in a few days.

The crumbling coalition, formed after elections to six states four months ago, came under attack yesterday when two Ministers belonging to the official Congress Party in Maharashtra resigned.

The fall of the Government was postponed today only because unprecedented rowdy scenes in the legislature—blows were exchanged—forced the speaker to adjourn the House for the day.

The next sitting will probably be held on Monday. Janata Party leaders, who have rushed to Bombay, capital of Maharashtra, accused the coalition's Chief Minister of deliberately causing trouble in the legislature to avoid a vote which would surely go against him.

The Janata leaders have gone to Bombay since they sense victory and hope to form the next Government since defectors both from the official Congress and from the coalition.

As a result it has lost its majority. The fall of the Government was postponed today only because unprecedented rowdy scenes in the legislature—blows were exchanged—forced the speaker to adjourn the House for the day.

comes after the failure of efforts for Congress unity. Mrs. Gandhi split the party on January 1, 1978, when she formed her Congress (I) party which later went on to win two southern states and to form the Maharashtra coalition. It was then widely thought that she was on the verge of staging a political comeback.

Now that she faces charges of conspiracy to commit various offences during her emergency rule—filed against her on Tuesday—and has lost the government in Maharashtra, the reverse trend seems to have set in. Mrs. Gandhi herself is maintaining an unusual silence and has no comment on any of the events of the past month or so during which the Janata Party went through a severe crisis.

## Bolivian Left irked by 'fraud'

By Hugh O'Shaughnessy

POLITICAL PRESSURE is building up in Bolivia after the elections on Sunday which have been reported as fraudulent by foreign observers and opponents of General Hugo Banzer, the President.

Latest reports, with about two-thirds of the 1.5m votes counted, give the lead to Gen. Juan Pereda, the candidate supported by Gen. Banzer, with ex-president Hernán Siles Guiza, the principal left-wing candidate, in second place.

If no candidate achieves more than 50 per cent of the votes cast, Congress will have the task of choosing among the leading candidates. According to Inter Press Service, Siles has been having talks with Sr. Juan Lechin, the principal labour leader, and this could lead to a national strike in protest

## United close to Airbus decision

BY STEWART FLEMING

NEW YORK, July 13.

UNITED AIRLINES, the largest commercial carrier in the world, has called a special Board meeting for tomorrow to consider whether to place an order which could be worth \$2bn for Airbus Industrie's B-10 version of the A-300B Airbus.

It is understood that three choices face the company which needs a new generation of aircraft to replace ageing aeroplanes in its fleet. It has said it will be spending some \$8bn over the next decade on new jets.

Its choices are to order the 200-seat Airbus B10, which was officially launched into production last week, following an announcement that Lufthansa, Swissair and Air France had placed firm orders for the aircraft. Alternatively, it could

decide to order a new generation of jets which the U.S. aerospace giant, Boeing, is on the brink of bringing into production. Both big airlines place an order for a new generation of Boeing aircraft with wide-body design, but considerably smaller than aircraft such as the Boeing 747, or the McDonnell Douglas DC10.

United's third choice is to postpone a decision and not to order a new generation jet now.

A company spokesman said that the executive committee of United was meeting today in Chicago, and would be putting its views to the full Board tomorrow. Previously, United had said that it would be considering its choices at its regular Board meeting, planned for August 31.

United's decisions could be of crucial importance to aerospace

companies. Earlier this year it was expected that United, which has 231 Boeing jets in its 338-aircraft fleet, would be the first big airline to place an order for a new generation of Boeing aircraft known as the 767. Such an order would enable Boeing to start production of the jet. It has 1,000 of its design staff working on its new family of jets.

But, last month, it emerged that United was also considering purchase of the main rival to Boeing's proposed new aircraft, Airbus Industrie's scaled-down version of the A300B Airbus, the A300 B10. The European consortium of Airbus Industrie has the edge over Boeing now that its new aircraft is clearly moving into production.

## PRESIDENTIAL ELECTIONS IN ECUADOR

# Civilian rule closer

BY SARITA KENDALL IN QUITO

AFTER MORE than two years of erratic progress towards constitutional democracy, with many delicate and some dangerous moments, Ecuadorians will be voting for their next president on Sunday. But this may not be the last hurdle: a French-style second round must be held if no candidate wins an absolute majority, and none of the six contestants has even 30 per cent of the vote, according to opinion polls.

When Ecuador's military government first announced plans for a return to civilian rule, politicians dropped their own conspiratorial schemes and seized the opportunity—though many political parties were less than delighted with the past chosen by the armed forces. Some boycotted the legal commissions set up to draft alternative constitutions, while others campaigned against January's constitutional referendum, and most have expressed doubts as to whether the final hand-over will be achieved.

No sooner was the new constitution safely chosen by ballot than a series of controversial decisions by the Electoral Tribunal—themselves plagued by frequent resignations—threatened to disrupt the Presidential elections. One of one candidates were eliminated.

First to go was the strongest contender, Guayaquil's populist ex-mayor Assad Bucaram. Barred because of a military ruling that the President has to be the child of Ecuador-born parents, Senor Bucaram, who is of Lebanese descent, also fruitlessly tried to stand for deputy mayor of Guayaquil. Though he passed the popular forces mantle to his son-in-law, lawyer Jaime Roldos Aguilera, his fate and name are blazoned on election posters, and when he climbs onto campaign platforms, his bulky figure dwarfs the candidates he is supposed to be merely supporting.

Another Tribunal decision put two more populist leaders, ex-presidents Carlos Julio Aramendo and Jose Maria Velasco Ibarra, out of the running on the grounds of no re-election. Five-times president and four-times senator, Senor Velasco Ibarra, aged 85, has said he would not be running, but the Government clearly wanted to avoid any risk of renewed domination by a Caudillo.

The Liberal Party candidate, Francisco Huerta Montalvo, was the next casualty, banned by the electoral tribunal because of a lucrative research contract signed with the Government. However, liberal factions were waiting in the wings with his uncle, Raul Clemente Huerta, a Guayaquil politician, who took over the party candidacy with barely a pause to reprint posters.

When four newly-formed political groupings applied for



local government as well as Presidential candidates—the obligatory vote can hardly be enforced.

Despite all these difficulties, as well as the temporary detentions of some party organisers, the campaign has been exemplary by Latin American standards, with virtually no violence. All presidential candidates, regardless of the richness of their campaign chests, have received saturation coverage in the Press, and television has for the first time played a major part in the election raising the level of debate above personal attacks and simple platform haranguing. But party workers and those taking opinion polls have found great confusion among the electorate, especially as to the political colour of local government candidates.

Two of the leading contenders, architect Sixto Durán Ballén, whose support comes from seven right-of-centre political parties, and Liberal Raul Clemente Huerta, have suffered the stigma of being labelled "official candidates." Though the military junta has repeatedly denied having a favourite, the armed forces would obviously prefer to hand over to one of these two elder statesmen. Sr. Durán, mayor of Quito for the last eight years, is popular with the capital's business community and appears to be just ahead of the field—yet he is surprisingly unhelpful for someone with much administrative experience.

Once installed, the next president will have to convene congressional elections, and, until these take place, he will have the powers of a civilian dictator. Under the new constitution, the Vice-President will take over the direction of the economy, setting up a national development council. Some Vice-Presidents seem to have been chosen with an unfortunate eye to party alliances and vote catching rather than competence for this position.

With no recent election statistics as a guide and more than a million new voters, few people are laying bets as to who Ecuador's next President will be. If the armed forces can complete their government with a smooth hand over of power, they will give a much needed boost to stirrings of liberalisation in the continent.

## Peruvian deportees to return

BY NICHOLAS ASHESHOV

THE MILITARY Government of Peru has officially authorised six left-wing politicians to return to take their seats in a newly elected constituent assembly.

The six were among 17 people, all but one left-wingers, deported by state security police and the army, mostly during May, in final campaigning for the first elections here in 12 years. The Government said at the time that they had been taking part in "subversive" activities—taken here as a reference to their support for a successful general strike in May protesting against steep rises in prices of food and petrol.

Only the six successful candidates in the elections are being allowed back, according to the Prime Minister's office.

They are: Sr. Genaro Ledesma, Hugo Blanco and Ricardo Napuri, all of the FOCEP party, a Trotskyite-Maoist alliance of union lawyers and militants; Sr. Ricardo Diaz Chávez, and Javier Diaz Caneque of the Revolutionary Democratic Union (URDP); and an ex-general, Leonidas Rodríguez Figueroa, leader of a faction of the Revolutionary Socialist Party (PSR). Gen. Rodríguez had been arrested as he stepped out of a voting booth on election day June 18.

Another successful PSR candidate, Gen. Arturo Valdez, had gone underground in Peru and presumably now can emerge.

The permission given to the successful candidates was seen by many local politicians as a

LIMA, July 13.

further sign that the military government, which has been in power for ten years, is continuing to try to set up governmental co-operation with civilians as a first step towards handing power to a civilian government within a couple of years.

The constituent assembly is due to be seated on independence day, July 28. The recent elections gave the parties of the Right and Centre about 65 per cent of the votes, most of the remaining third going to far Left parties.

U.S. COMPANY NEWS

Major commercial banks boost earnings: Growth slackens at Colgate; Stronger margins lift Teledyne—Page 29



## Mini-cassette 2 Re-markable.

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## OVERSEAS NEWS

## Japan-China discuss oil exploration of continental shelf

BY ROBERT WOOD

TOKYO, July 13.

CHINA AND JAPAN are negotiating for joint development of undersea oil in what geologists believe to be the largest unexplored reserve in the world, officials said today.

The potential development area is the continental shelf between the Chinese mainland and the Japanese Ryukyu Islands, which stretch south of the Japanese mainland.

Vast areas of the continental shelf off China and Korea are believed rich in oil, but exploration has been delayed for decades by a bewildering collection of undersea boundary disputes among China, Japan, South Korea, North Korea, Vietnam, the Philippines, and Taiwan. The high cost of exploration in the deep water of the region and Chinese reluctance to depend on foreign technology have also prevented prospecting.

Japanese sources said a Japanese delegation has been

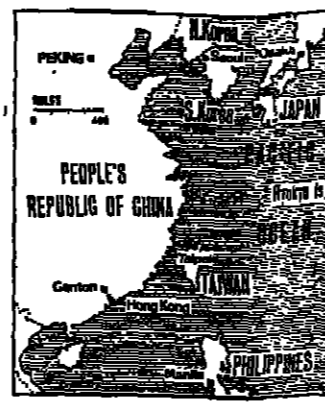
negotiating on the joint development proposal in Peking since late June.

Officials of the Japan National Oil Corporation in Tokyo said that they had previously approached the Chinese several times in hopes of opening talks on joint development, but they did not receive a positive response until this May. In May, Japanese officials in Peking told Tadashi Sasaki, Chairman of the Japan Committee for Economic Development, that they would like to meet with a delegation of Japanese oilmen on the subject.

Kang Shih-chen, China's Vice-Premier in charge of natural resources development, was reported to have told Sasaki that China preferred joint development on oil prospecting. But the specific area of the proposed joint development has not yet been stated, so the status of the boundary disputes remains unclear.

China and the two Koreas claim that all resources on the continental shelves along their coastlines belong to them. Japan and Vietnam, which have little continental shelf, claim that oil rights belong to whatever nation is closest to the oil. Taiwan claims all the areas that are claimed by mainland China. There are also a variety of conflicts over small, generally uninhabitable islands whose possession would imply rights to drill for oil nearby. The most geologically promising formations in East Asia are in disputed areas.

The stalemate in undersea oil exploration began to break in 1974, when the Japanese and the South Koreans signed a joint continental shelf development treaty covering the area disputed between them. China and North Korea sharply denounced the treaty. China also claims part of the area it covers. Japanese



opposition parties on the other hand, regarded it as a give away to the South Koreans. The Japanese Diet just cleared implementing legislation for the treaty this June.

The Japanese now hope for a similar agreement with China. The Japan National Oil Corporation has left exploration in Japan. Japan would like to import a larger portion of its oil from China to diversify its supplies away from the Middle East, but at least one foreign ministry official has said Japan would not want to depend on China for more than 10 per cent of her petroleum needs.

## Imports by Japan rise but surplus continues

JAPAN'S IMPORTS have begun to rise, but not fast enough to narrow Japan's trade surplus, statistics from the Ministry of International Trade and Industry indicate, Robert Wood writes from Tokyo.

Import contract licences for June rose 15.1 per cent over the corresponding month last year, the Ministry said. That meant a gain over the previous year of 10.8 per cent for the April-June quarter compared to a 5.3 per cent gain in January-March.

However, since the value of the yen has risen dramatically since June of last year, the figures indicated imports are still declining in yen terms. Also, the June licensees included several unusual items such as large aircraft and nuclear energy material.

Officials noted that imports of manufactured products, a key element in Japan's disputes with her trading partners, rose 50.4 per cent in June over the previous year. Foodstuffs rose 10 per cent but raw material purchases were virtually level.

## Japanese trade with China

By Anthony Rowley

HONG KONG, July 13.

JARDINE MATHESON, biggest of the trading conglomerates here, hopes to increase its role in China trade by helping with the country's ambitious industrial modernisation programme.

Mr. David Newbould, the chairman of Jardine, said on his return from a visit to China that his group might be interested in arranging "packages" for China in areas such as mining or steel-making in which Jardine itself is not directly involved. He also mentioned China's interest in some of Jardine's oil-industry activities.

He added that he was encouraged by the improved climate in China towards commercial contacts with the outside world under the present regime. The assumption is that Jardine will enhance its classic trading company role as a go-between for China and potential suppliers of capital goods from the West.

## Generator order

The Deutsche Babcock subsidiary Vereinigte Kesselwerke has received an order, described by industry sources as worth around DM 200m, to deliver and build two steam generators in South Australia, a Babcock spokesman said.

The order is from the Electricity Trust of South Australia and includes the option for two more 250 MW generators.

## Loan for Yugoslavia

The Export Credits Guarantee Department has guaranteed the repayment and funding for a \$8.4m loan which the Midland Bank has made available to Stopanska Banka Skopje of Yugoslavia.

The loan will help finance construction of a new steel mill in Hemjiska, Yugoslavia, and will be used to purchase plant and equipment for a polyacrylic fibre plant at Skopje.

And the World Bank and its affiliate, the International Development Association (IDA), have approved \$110.5m for development projects in Liberia, Thailand and Yugoslavia.

Liberia will receive a \$6m IDA credit to help improve forest management practice and forest protection.

Thailand, a \$4.9m World Bank loan will help finance the production of natural gas in the Gulf of Thailand.

And the World Bank will lend \$100m for providing credit to aid industrial projects in Yugoslavia.

## Greek tonnage increase

The Greek-flag merchant fleet stood at exactly 4,000 vessels at the end of May, totalling 34,782,941 gross tonnage (GRT) according to the government.

This compared with 3,706 vessels of 30,995,965 GRT on the corresponding date of 1977, reports AP-DJ from Athens.

The government added that Greek-owned vessels under foreign flags numbered 892 of 14,597,994 GRT, bringing the total of Greek-owned vessels to 4,892 ships of 49,380,935 GRT.

There were 273 Greek-flag vessels of 2,817,801 GRT laid up on that date representing 8.1 per cent of the total fleet.

## Finance for Algerian textiles plant

BRUSSELS, July 11.

SOCIETE Generale de Banque and Banque Bruxelles Lambert have concluded a buyers' credit agreement with Societe Nationale des Industries Textiles (Sonitex) of Algeria for part financing of a velvet fabric complex to be built at Akbou, Algeria.

Societe Generale de Banque is also leading a \$25m seven-year Eurocredit for the textile plant. Interest rate is 4 1/2 over Libor with 31 years grace.

The buyers' credit will cover 85 per cent of the materials supplied by Belgian producers worth nearly Bfr 4bn, Societe Generale de Banque said.

Sonitex had ordered the textile complex, worth a total of around Bfr 5bn from a consortium of Belgians together with the Belgian companies Sybetta and Le Peigne with the Swiss company Rieter and the German Exima.

Le Peigne is a subsidiary of the French Agache Willot group and Exima is a subsidiary of Sybetta.

Reuter

## Nissan to build vehicle assembly plant in Greece

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

GREECE IS set to make its first significant move into commercial vehicle production following a decision by Nissan, the Japanese manufacturer of Datsun cars and trucks, to licence an assembly operation in its products at Volos.

The aim is to begin assembly of Nissan's smaller range of trucks by 1980. Preliminary indications are that there will be no capital link-up between the Japanese company and Toyota, the Greek distributor of Nissan's products which will finance the 500m drachma factory. A target of 1,000 vehicles a month has been set for the project.

Announcement of the project comes close on the heels of import curbs by the Greek Government on a range of industrial products about a month ago. These regulations included assembled vehicles in an effort to reduce Greece's trade deficit with Japan. Nissan alone exported 17,000 cars and trucks to Greece last year.

There have been indications for some time that Greece would like to begin development of a domestic vehicle industry, just like its near-neighbour Turkey. But so far, Greece has not had a major project, although some years ago with Renault, the British manufacturer, to make a vehicle designed by the UK company. Steyr-Daimler-Puch also makes a limited range of commercial vehicles, mainly for military use.

The choice of Nissan as a partner will cause considerable interest among Western motor companies. In the longer term it could give the Japanese company total free access to EEC markets with locally-produced commercial vehicles if Greece's application for membership reaches a successful conclusion.

At the moment it is not a large market having a car stock of only 400,000 vehicles and a truck stock of 210,000. But it has the potential for a great deal of growth if vehicle ownership levels, now standing at 14 people per vehicle, rise toward the Western European average of about four people per vehicle.

## Tory warning on Soviet credit

BY LYNTON McLAIN, INDUSTRIAL STAFF

TALKS ON the Russian shipping said. This undercutting was a threat would be linked by a service industry equivalent of dumping.

Separate talks would be abandoned under a Conservative administration. All issues relating to Soviet trade would be looked at simultaneously "if I was appointed Trade Secretary," Mr. Nott said.

A similar, unified approach would be adopted to solve the problem of overcapacity in British yards and to maintain a viable shipping fleet. A streamlined building industry was needed but sensible rationalisation was long overdue, he said.

Rationalisation would be looked at "in tandem" with the Anglo-Soviet trade agreement. British Shipbuilders' policy of winning overseas orders through the "nonsense" of subsidies which hit at British shipping 30 per cent below those of the lines, Mr. Nott attacked the Polish

ships contract which he said had given credit on uncommercial terms to a one-sided country, already a party to putting British seamen out of work by unfair freight rates.

British shipping employed 75,000 UK seafarers, 16,000 non-domiciled ratings and over 20,000 shore staffs. It earned £3.5bn gross in 1976 and made a net contribution to the balance of payments of £1bn.

This industry was now at risk and there was nothing to be gained by transferring unemployment from the shipyards to shipping, he said.

"But that is what the Government is doing by becoming a leader in the credit race for orders." There had to be no more artificial building of ships for which there was no commercial need.

## Taiwan rail project on target

BY LYNTON McLAIN.

BRITISH companies working on the \$50m rail electrification project for Taiwan are on target for completion by next year, the Railway Industry Association of Great Britain said yesterday.

The five-year project, signed in 1973, called for the electrification of the Taiwan Railway Administration's 406 km west trunk line from Keelung, through Taipei, the capital, to Kao-hsiung in the south.

The project is managed by GEC Transportation Projects, a subsidiary of the General Electric Company of Britain.

Other GEC companies which have benefited include GEC Switchgear, which provided the power distribution and control systems, GEC-Sillit Process Automation, with its monitoring and control systems, and GEC Traction which is supplying the fleet of 20 electric locomotives and 13 five-car electric multiple units built by British Rail Engineering, York.

All the motive power units have thyristor control and other advanced features. GEC Telecommunications supplied the communication link for the railway.

The overhead line equipment has been supplied by Balfour Beatty Power Construction; Westinghouse Brake and Signal Company supplied the braking equipment, and Stone-Platt Electrical the air-conditioning systems.

## Hindustan Machine Tools to build Kenya plant

BY JOHN WORRALL

NAIROBI, July 13.

KENYA'S Industrial and Commercial Development Corporation has signed an agreement with Hindustan Machine Tools of India for the establishment, near Nairobi, of a £2.5m machine tools plant.

It is the first joint venture at Government level between India and Kenya. The ICDC, a Government corporation, is to have a majority shareholding of 75 per cent, but Hindustan Machine Tools is to have a large machinery suppliers' credit.

The plant is expected to be in operation in 15 to 18 months' time and is to produce basic machine tools for the metal and woodwork industries. It will employ about 300 skilled and semi-skilled Kenyan workers.

Christopher Bobinski writes from Warsaw that a recently signed contract for the construction of a textile plant in Tanzania by Poland and East Germany signifies the first investment project undertaken by Communist Bloc countries in East Africa.

The plant, which is worth \$23m, is to be built at Mbeya, a tourist centre, in the years 1979-80 and will be the largest Polish-East German joint venture in a third country to date.

The Polish company Varimex will supply a 750 loom weaving mill, the water supply and fire safety system, and Unitechna from East Germany will supply a 25,000 spindle cotton spinning mill.

Tanzanian personnel are to be trained in Tanzania and in Poland and East Germany and production will be based on local raw materials.

## Pakistan imports freed

BY IQBAL MIRZA

KARACHI, July 13.

IN ORDER to boost production and meet the essential needs of consumers, imports have been further liberalised under the import policy for 1977-78 recently announced by the Federal Government. To raise productivity of the agricultural sector, five types of standardised makes of tractors, namely Massey Ferguson, Fiat, International Harvester, Ford and Bulars, can now be imported by the private sector. The new policy raises total number of items from 429 in the import policy for 1977-78 to 442 for the year 1978-79.

It also provides that 438 items will be importable under the free list, up from 411 items in the policy for 1977-78. A major step taken under the new import policy is that the amount of imports under cash financing has been raised from Rs 1.5m to private parties before July 1.

Now the State Bank of Pakistan has issued instructions to commercial banks not to open letters of credit to private parties for imports from India, and not to allow extension of letters of credit opened by private parties before July 1.

The Government of Pakistan has also decided to bail out private trade with India with effect from July 1, adds AP-DJ.

Trading will be carried out by the Government or state-controlled corporations.

A protocol on government level trade was signed in 1974, but after one year India and Pakistan agreed to allow private trade in a very low concession rate. In 1977, private sector trade was running in India's favour.

Despite this increase in total available supplies, the share of gas in the domestic energy package will fall to one-third from 42 per cent now, and other sources of energy will have to be found.

## Finns to drive on turpentine

Financial Times Reporter

TURPENTINE from pine wood is one of the fuels to be used and has interests in diesel engines, particularly machinery and shipbuilding.

Neste has already tested a modified Saab and an experimental engine and tests in Finland have shown that the car will also run on low-grade paraffin. In all cases it can meet the exhaust emission standards laid down by the European Economic Community.

The engine on the Saab 900L has been modified to pre-heat the fuel and the inlet air and the pistons have been designed to run on low-grade paraffin with less reliance on leaded petrol.

The cars on sale in Finland next year will have a dual fuel system. The very low octane petrol will be used during engine idle, when the car is heavily laden and when it is started in cold weather. During constant speed running, the engine may be switched to turpentine or continue running on diesel fuel. Fuel costs are lower than diesel fuel but turpentine or low octane petrol give better acceleration and less noise. In Sweden, the parent Saab company is developing engines to run on methanol (methylated spirits) and liquid petroleum gas.

## Peking plans deposits scheme

BY OUR OWN CORRESPONDENT

TOKYO, July 13.

CHINESE VICE-PREMIER Li Hsien-shen said today that China would seek to attract foreign capital according to a Japanese formula that would avoid the necessity for the Chinese to formally accept loans.

Japanese reports from Peking said Li told a delegation of Japan's Mitsui Group that in two years the Chinese would ask the Japanese to deposit money in the Bank of China. According to the Japanese proposals, the

money could then be used to finance development projects, especially those requiring imports from Japan.

Li also said that China's foreign currency reserves now total "well over 2bn dollars." It was the first time a Chinese official had publicly stated the reserves were sufficient for China's needs over the next two years, but that then China would require a large amount of foreign funds.

The interest rate that the Chinese would pay on the money deposited in the Bank of China was not known. In Tokyo, Japanese sources said the interest rate had been the subject of considerable discussion. An official of Mitsui and Co, the trading company of the Mitsui Group, said specific arrangements might be decided and made public by next week, when the group delegation returns from China.

## OPEC group talks on \$ decline

By Richard Johns

A TOP-LEVEL committee of experts from member states of the Organisation of Petroleum Exporting Countries meets in London today to study the impact of dollar depreciation on oil revenues.

Chaired by Sheikh Al Khalifa at Sabah, Kuwait Minister of Oil, the committee was appointed by the last OPEC ministerial conference held in Geneva last month. Sheikh Ali, who is also the current president of OPEC, is empowered to call an extraordinary conference to take action to compensate members for the dollar's decline—which could mean an oil price either through a system of indexation or by a straight percentage increment before the end of the year.

That, however, would depend on the result of the committee's work and the degree of consensus reached among members representing on it. Within OPEC there are considerable differences of opinion as to whether producers can protect themselves through a compensatory price rise.

Saudi Arabia and Iran are not alone in arguing that the market demand is not strong enough to sustain an increase at present and that any increment would only weaken the dollar, which, all members agree, is the only possible means of payment.

Other members argued at Geneva that rising US oil imports were not a major factor in the dollar's decline and that members should take action to protect themselves, anyway. Foremost among the militants on this score were Algeria, Iraq and Libya.

## Syria asks Sarkis for decision

By Ihsan Hijazi

BEIRUT, July 13.

SYRIA wants Lebanese President Elias Sarkis to make up his mind quickly whether he wants to resign or not so the crisis here may be dealt with promptly.

The message was conveyed to Mr. Sarkis via the Lebanese Parliament Speaker, Mr. Kamel Al Assad, who held talks with President Hafez Assad in Damascus on Tuesday and reported back to the Lebanese President yesterday, according to informed sources.

They reported that whereas Syria prefers to see Mr. Sarkis stay in office, it feels that its 30,000 troops serving in Lebanon with the Arab peace-keeping force must have a free hand in dealing with the Christian militias.

Mr. Sarkis threatened to resign a week ago after the fighting between Syrian troops and militias in Beirut Christian quarters exacted a heavy toll on life and property.

Mr. Al Assad was given to understand that Syria is not budging on its determination to deal firmly with the militias and insisted that the role by the Syrian army in Lebanon must not appear to be a failure.

President Sarkis was reported today to have given himself three more days during which to assess the situation and decide whether he wants to remain in office.

## Rhodesians before court in arms payments affair

BY TONY HAWKINS

SALISBURY, July 13.

THREE WHITE Rhodesians appeared in the Salisbury Magistrates Court today in connection with the major fraud case relating to the purchase of military equipment for Rhodesia.

Reporters were cleared from the court and even prevented from looking through the windows to try to identify the three men.

All that police would say was that the men were appearing in connection with the scandal acknowledged at a political meeting on Wednesday night by Mr. Rowan Cronje, the Minister of Manpower. No identities or charges were made public, but it is believed that the men were seeking bail.

On Wednesday, Mr. Cronje admitted that civil servants and businessmen were involved in a major scandal—said to involve at least £1m.

The men are alleged to have taken a "kickback" in respect of arms purchases and invested the funds abroad.

It has been apparent for some time that a major fraud scandal had been detected by the Rhodesian authorities, but they have put a clampdown on Press reporting of the affair.

Mr. Cronje has denied that there have been attempts to cover up the scandal, saying that the country's economic and security interests could be jeopardised if the facts were to be made public at this stage.

Opposition groups are anxious to make as much political capital out of the scandal as possible ahead of next week's by-election in the Salisbury suburb of Highlands North.

Members of the opposition National Unifying Front—the Left of the Rhodesian Front—subjected Mr. Cronje to close questioning at Wednesday's by-election meeting.

The Government is seriously embarrassed by the scandal on two main counts.

First, it has a long record of pursuit and prosecution of the private sector for fraud and currency crimes. The private sector has been bitterly critical of the intensity with which some of its most minor offenders.

Secondly, the Rhodesian Front has long argued that graft and corruption of this kind is alien to Rhodesia and experienced only by developing countries, especially African states to the north, and in the decadent West.

But the Government is not believed to be trying to keep the case under wraps out of embarrassment. Far more important, as Mr. Cronje himself admitted, the Government has been using the case to develop sources and channels for arms supplies.

## Militant call by S. African chief

BY BERNARD SIMON

JOHANNESBURG, July 13.

CHIEF GATSIHA BUTHELEZI, the leader of the 150,000-member Inkatha movement, which is South Africa's biggest black political organisation, today envisaged a more militant role for his organisation in bringing about change in South Africa.

Speaking at Inkatha's annual conference, Chief Buthelezi called for a unitary type discipline and organisation to integrate the forces available to cripple Apartheid.

"I see Inkatha's strategy as being the integration of all those forces which have from time to time moved forward and retreated," he said. "Inkatha has abandoned totally and utterly a tactic and strategy based on marking time."

Chief Buthelezi, who last week claimed that he and Mr. Vorster, the Prime Minister, were the two individuals most intimately involved in the political future of South Africa, said that Inkatha sought peaceful methods of radical change. But, he warned, "where we are hit, we hit back."

He added that "white greed had led to an over-reliance on blacks." The wheels of industry cannot run without us, commerce cannot run without us, commerce

in this country depends on our buying."

Chief Buthelezi's speech comes on the heels of Inkatha's announcement that it is to pressure foreign companies operating in South Africa to adhere to various employment codes of conduct and to recognise black trade unions.

The four codes of conduct in question are those formulated by the U.S. church leader Rev. Leon Sullivan, the Canadian Government and the South African Urban Foundation.

It is believed that Inkatha's initial targets will be British and European companies operating in the Durban area, which is where most of the Zulu-based movement's members work. Unilever, BP and Shell have been mentioned as possible targets. It is also thought that the organisation will give high priority to the grievances of migrant workers on the mines.

Should companies refuse to enforce the terms of the code of conduct applicable to them, Inkatha envisages protests to overseas parent companies, and to foreign governments, trade unions and other pressure groups.

Should these pressures fail, it is expected that Chief Buthelezi may publicly single out specific companies for criticism.

Meanwhile, the South African Council of Churches has called for foreign companies and companies to radically revise their investment policies and employment practices in South Africa.

The general secretary of the council, Bishop Desmond Tutu, said foreign investments and loans had been used to bolster the patterns of power and privilege in the country.

In Cape Town, Mr. Percy Qoboza, editor of the Post newspaper, and former editor of the banned paper, the World, has called for the establishment of a black economic commission to draw up a blueprint for black participation in the South African economy.

The main task of the commission would be to draw up a code of conduct for commerce and industry providing for equal employment opportunities. "I am getting a bit weary of all the claims that a new formal dialogue for conduct for what they consider to be fair and just for us," Mr. Qoboza said.

## IRANIAN POLITICS

## Call for free elections next year

BY ANDREW WHITLEY

TEHRAN, July 13.

IRAN'S SENIOR religious leader, Ayatullah Shariatmadhari, has called for genuinely free Parliamentary elections. In an interview today with the Financial Times, at his home in the holy city of Qom, the Ayatullah also re-emphasised the opposition demand for full implementation of the constitution.

Strongly criticising the single recognised party, Rastakhiz, set up by the Shah three years ago, he said that several different parties should be allowed to compete in next year's scheduled elections to the lower house of Parliament, the Majlis.

Ayatullah Shariatmadhari, an ailing and humiliated 78-year-old patriarchal figure, warned the world stand against them, and Government that the "nation" the present Majlis would be declared illegal, if it did not accede to the demands. On the other hand, he said, dissatisfaction would disappear if the elections were held.

If such elections are held, the

own powers, he said, the leader of the Shi'ite movement, the Shi'ite leader, would be for the time being he and his follower's only wanted a powerful nation.

Ayatullah Shariatmadhari strongly denied recent official claims that a formal dialogue with Iran's moderate religious leaders had led to an understanding. Although deputations came "in the early days," he said, these had stopped and a rift had developed.

**Bid to calm fears on Kabul coup**

ISLAMABAD, July 13.

Mr. Newton is due to arrive in Islamabad tomorrow from Kabul for a three-day visit before leaving on the last stage of his trip to Jeddah.

Pakistan has been worried about increased destabilisation of its frontier areas following the appearance of more Russian advisers in Afghanistan after the coup.

BY SIMON HENDERSON

THE United States is trying to reassure Saudi Arabia, Iran and Pakistan of its backing following the coup in Afghanistan. This is the reason for the current visit to the area by the Under-Secretary of State for Political Affairs, Mr. David Newton.

The U.S. is particularly anxious to reassure Pakistan.

## Public expenditure control move backed

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

GOVERNMENT PLANS for a major simplification of the present system of short-term public expenditure control have now received formal backing from both the main Commons committees concerned.

The all-party Expenditure Committee yesterday welcomed Treasury proposals for the simplification of the cash limit controls with the estimates presented for Parliamentary approval each spring.

A similar view was taken by the Public Accounts Committee in a report published last month. The Treasury is now likely to start to implement the changes in the 1979-80 financial year.

The Expenditure Committee says it has "no objections

to the Treasury's comparatively limited, but useful proposals." However, its general sub-committee, chaired by Mr. Michael English, the Labour MP for Nottingham West, has also been examining wider issues about possible further changes in the form and content of the estimates. It has also been looking at most aspects of the financial accountability of the executive to Parliament.

A series of public hearings have already been held and the intention is to publish a report before Parliament's summer session.

The Treasury proposals follow earlier discussions with the sub-committee about reducing from three to two the number of dif-

## Strike at Llanwern cost £20m in lost steel production

BY ROY HODSON

THE RECENT 21-week strike by blastfurnacemen which brought the Llanwern steelworks, South Wales, to a standstill cost the British Steel Corporation about £20m in lost production.

The stoppage was the biggest single setback to British Steel's attempts to recover since the Government approved the new strategy for the industry in April.

New figures for steel production by both the private and public sectors in Britain published yesterday show that had Llanwern continued to work normally British steel production would have made up lost ground in June and steel production would have been restored to the year's best levels of approaching 440,000 tonnes a week.

Although the strike disrupted plans for higher output, British Steel production in June was nearly 4 per cent better than in June last year when the steel recession was worsening.

The corporation was affected unusually severely by the Llanwern dispute because a policy was being pursued of deliberately loading the modern works with orders at the expense of older steel plants.

Production had touched 50,000 tonnes a week at the plant when the stoppage occurred.

British Steel and the British Independent Steel Producers' Association accompany the new

steel figures with a gloomy prediction that no significant upturn in steel demand can be expected in the near future.

Business is expected to decline during the coming holiday period and no real upturn is anticipated before September/October.

British Steel will be attacking the stainless steel market with new vigour in the coming weeks in order to sell the production of the new £130m stainless steel complex at Sheffield which is being opened today by the Duke of Edinburgh.

## Company fined over effluent

THE STROKE-ON-TRENT pottery company of George Howson, part of the Armitage Shanks group, was fined £600 with £100 costs by the city's magistrates yesterday after admitting six charges of polluting sewers with untreated effluent, containing metal.

Miss Lynn Fenner, for the Severn Trent Water Authority, said that effluent from the works contained amounts of metal well above the legal limit.

Mr. Patrick Isherwood said in mitigation: "This pollution was caused by antiquated equipment which has now been replaced."

## Mortgages doubled in support lending plan

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

MORTGAGE ADVANCES have more than doubled under the building society support lending scheme designed to provide home loans for people who could not normally expect the societies' assistance.

Mr. Reg Freeson, Minister for Housing and Construction, announced yesterday that the scheme has progressed well in the first two months of the financial year. He hoped the rest of the year would prove as successful.

During the first two months a total of 5,200 home loans had been approved under the scheme, involving £11.5m. That compares with 2,200 advances worth £15.5m in the same period 12 months before.

According to Mr. Freeson, the increase in advances reflected the growing co-operation between building societies and local authorities. He said the local authority associations, the Building Societies' Association and the Department of the Environment had made available guidance on the scheme's operations for all parties participating.

The scheme was introduced in 1975 when local authority mortgage lending was reduced severely after large cuts in public expenditure. Under the arrangement, the societies make available mortgage funds to applicants nominated by local authorities: usually prospective house buyers of modest means who are seeking older, cheaper properties.

In its early stages the scheme proved slow to get started and the building societies were accused of implementing the proposals unenthusiastically. They replied that many applicants expected to advance about £500 were simply going straight to the home-buyers of all types.

In 1978-79, the support scheme allocations available to local authority nominees in England amounted to £267m, against £157m in the previous 12 months. During 1978, the societies are expected to advance about £500m to home-buyers of all types.

## Action hits phone supplies

BY JOHN LLOYD

ABOUT 80,000 people and businesses are waiting for telephones as a direct result of the next year or two. Industrial action being taken by the Post Office Engineering Union.

New equipment to the value of £60m is lying idle in exchanges, of which £3m worth is pool and Manchester is also immediately required for new used because of the dispute.

Besides the telecommunication equipment, some £12m worth of automatic letter-sorting equipment installed in sorting offices in Bristol, Leeds, Liverpool, and Manchester is also immediately required for new used because of the dispute.

## Fluorspar mine verdict today

THE PEAK PARK Joint Planning Board will consider a report from the National Park Dresser Minerals International officers which, in a departure from past practice, does not make a recommendation on whether the application should be accepted or rejected.

The report lists the options, faced by the planning Board. But the options have been presented towards approval about six miles from Youghal.

## Over 33% of complaints justified

BY DAVID FREUD

MORE THAN A third of the complaints considered by the Ombudsman from February to April this year were found to be wholly justified.

In his fifth report for the 1977-78 session, Sir Iddow Pugh, the Parliamentary Commissioner for Administration, published 91 investigations into complaints against 17 Government departments and agencies.

He found 33 of these complaints to be wholly justified. In 29 other cases he criticised some aspect of the department's handling of the issues.

More than half the investigations concerned the Inland Revenue and the Department of Health and Social Security. Sir Iddow criticised some aspect of the Inland Revenue's actions in 20 of the 23 complaints investigated, while 10 were found to be wholly justified.

In one tax case there had been a "deplorable delay" of over four and a half years before a complaintant received a tax repayment of £14,900.

One disturbing feature of this case was that several official papers were missing. Sir Iddow said: "I cannot discount the possibility that some at least

were mislaid before despatch or mislaid or destroyed in the receiving offices."

The Inland Revenue said yesterday that every effort had been made to find the papers, but with nearly 1,000 offices and 25m taxpayers some papers were bound to go missing. Severe disciplinary action was taken whenever deliberate destruction of papers was discovered.

## £ 'should stay firm for rest of year'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING should remain relatively firm for the rest of the year, according to an international survey of bankers, company treasurers and economists published yesterday.

The median projection is for a slight fall in sterling from this month's high level to \$1.83, around its average earlier in the year. The rate is expected to decline to \$1.77 by the middle of next year.

Only a small recovery in the dollar is expected during the next 12 months.

Just over half the 250 respondents to the survey were from the UK and they were slightly more bullish than prospects both for sterling and inflation.

The Amex Bank survey indicates a rise in both short-term interest rates and in the 12-month rate of inflation in four major industrialised countries—the U.S., UK, West Germany and France.

The acceleration is not, however, expected to be significant and only a small rise in inflation is projected in the U.S. and West Germany.

In the UK, the 12-month rate is expected to increase from between 7 and 8 per cent at present to 9.2 per cent by the end of 1978, and 11.2 per cent by the middle of next year.

Interest rates on three-month deposits in the UK are expected

to increase from 9½ per cent at present to 10½ per cent by the end of this year, but then to fall to 10½ per cent by the middle of next year.

Three-month Eurodollar rate is projected to rise from 8½ per cent now, to 9 per cent by the end of the year, but to drop to 8½ per cent by mid-1979.

## Self-sufficient tourist 'threat'

By Christopher Dunn

CHANGING PATTERNS of tourism may harm the economies of Hampshire, the Isle of Wight and parts of Dorset, Mr. David James, director of the Southern Tourist Board, said in the board's annual report, published yesterday.

A shift from serviced accommodation towards self-catering arrangements was accelerating. "The region has one of the largest stocks of serviced accommodation in the country. If its use continues to decline, it could have serious repercussions."

He added: "There is an underlying trend of decreasing expenditure and an increase in tourist numbers."

During the peak third quarter of 1977, the region attracted 127 tourists a square mile by day and 59 by night, a density second only to London's.

## Race question likely in 1981 census

BY PAUL TAYLOR

THE GOVERNMENT intends to include a question on race or ethnic origins in the 1981 Census of Population. The Government White Paper on the census was published yesterday and Mr. Ian Gough, Minister of Health and Social Services, said the Government had decided "in principle" to include the controversial direct question for the first time.

Mr. Gough promised a full public debate on the census and said the Government would take any views expressed into consideration when deciding on the final form for the questions.

The 1971 census had included an indirect question on race, asking about place of birth, but this had only been partly effective. The White Paper stresses that the question on race is important to provide the Government with reliable figures on which to base future community relations policies.

and to monitor the Race Relations Act.

Three forms of the questions are being tested at present on small sample groups and details of these are to be published in ten days.

The 1981 census is expected to cost £45m at November, 1978, prices with 20m forms asking 27 groups of questions distributed and collected by a team of 100,000 temporary enumerators in England and Wales.

Names and addresses will not be fed into the computer that will analyse the census forms. There will be safeguards to prevent unauthorised access to the computer data.

Census forms in Wales and Scotland will include a question about Gaelic and Welsh language. Provisional census day has been set for April 5, 1981, and there will be full-scale tests between 60,000 and 80,000 people next year.

1981 Census of Population, SO Cmd. 7146, 40p.

## Lane attacked over claim on forced repatriation

BY CHRISTOPHER DUNN

MR. DAVID LANE, chairman of the Commission for Racial Equality, was severely criticised yesterday by the Commons Select Committee on Race Relations for a passage in his evidence on UK membership of the EEC and race relations.

Mr. Lane said that an applicant for registration as a British citizen "cannot rule out in his own mind the possibility that in the future, 'induced', if not forced, repatriation of New Commonwealth and Pakistani settlers may well become an acceptable option even for the main political parties in this country."

Mr. Fred Willey, chairman of the commission and a Labour MP for Sunderland, said the passage was "disgraceful."

"I am hopping mad about it. It is carelessly and mischievously drafted."

"You are causing the greatest anxiety," he told Mr. Lane. "People would quote the passage as the view of the commission and that was virtually playing into the hands of extremist groups like the National Front."

Mr. Lane, who was also attacked for not dissociating the commission from the views in the paragraph, agreed to delete it from the evidence.

# COLT SIGMA

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**'There is no doubt that the Sigma 2000 has an extremely high standard of equipment and trim specification which few European cars can match.'**

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Using a new concept in 4-cylinder engineering.



The Sigma is powered by one of Mitsubishi's new generation of 'Silent Shaft' engines. Cruising at 70mph, the engine ticks over at only 3250 rpm — just a little over half way to the red line. Autocar endorsed it by saying 'the Sigma 2000 can be quite happily cruised all day long flat out without any signs of stress from the engine'.

### Unusual comfort

The driver's seat offers extra adjustment for perfect comfort with 3-way lumbar support, 18 backrest positions and 3 tilt positions. Tilt adjustable steering is also standard. You'll also find that the Sigma 2000 has reclining rear seats, with built-in head restraints as a standard feature.

### Lavish instrumentation

The cockpit layout is impressive and highly functional. Instrumentation includes rev. counter, 120 mph speedometer, fuel and water temperature gauges, clock, cigar lighter, push-button radio, and oil/charge, 'door open' and handbrake warning lights. The Sigma's smooth powerful lines were developed for maximum performance and efficiency. Independent suspension and wide, steel-braced radial tyres enhance the Sigma's 'cat-like' roadholding and manoeuvrability. A slick 5-speed gearbox is standard.

### Warranty

The Sigma is covered by a 12-month 'no-exclusion' unlimited mileage warranty and requires major servicing at only 10,000 mile intervals. You could also benefit from Colt's own special 'money-saving' insurance scheme at Lloyd's.

### Leasing

With Colt Leasing you can leave your capital largely untouched and entitle your Company to full tax relief. After your 1, 2 or 3 year agreement expires you can up-date your car to the latest model with a new leasing agreement, and even make a profit on the residual value of the old car, according to the agreed depreciation levels. For example an initial outlay of less than £850 could bring you immediate delivery of the luxury Sigma 2000, shown here. Contact your local Colt Dealer for full details.

### Colt 'On-the-road' prices

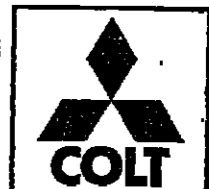
SIGMA 1600 GL £3700 SIGMA 1600 GL Auto £3980  
SIGMA 2000 GLX £4220 SIGMA 2000 GLX Auto £4500

Prices shown are rec. retail prices applicable to U.K. mainland only and include 'Seat Belts' Number Plates 'Radio' 'Heated Rear Window' 'Delivery' 'Car Tax' 'VAT'. \*Specifications quoted throughout for Sigma 2000 model. \*Correct at time of going to press.

Move up to a

**COLT**

The tough new breed of car.



Tax Free Sales Dept. and U.K. Sales inquiries: The Colt Car Co. Ltd., Spitalgate Lane, Cirencester, Glos: Cirencester G144T

## HOME NEWS

## Alfred Herbert refers deal to police

BY JOHN MOORE

LAWYERS representing Alfred Herbert, the State-owned machine-tool group, have recommended that the findings of an investigation into circumstances surrounding last year's £12m sale and leaseback of Draywood House, its Coventry offices, should be referred to the Metropolitan Police fraud squad.

Last night Sir John Buckley, Alfred Herbert's chairman, said that after a prolonged investigation "our legal advisers decided that the matter should be referred to the fraud squad for further investigation and so the Board have decided that this should be done."

Herbert's investigation into the matter was conducted by three ex-police officers in the Graham Miller loss-adjusting organisation over a four-month period.

In July last year Herbert bought Draywood House from Shroton Securities for £12m and resold it at a near £1m profit to South Yorkshire County Council.

Herbert's investigation examined the initial purchase, which was through an intermediary, not Shroton directly.

## Ryder letter forged with Letraset kit

THE DAILY MAIL paid £15,000 in 15 notes for an exclusive story about the British Leyland "slush fund" only to discover the main piece of evidence was a fake, it was claimed at the Old Bailey yesterday.

It was also alleged that Mr. Graham Barton, a former Leyland executive admitted he had forged a letter from Lord Ryder, then chairman of the National Enterprise Board, to Mr. Alex Park, then Leyland's chief executive, with a Letraset kit. The £15,000 and the Letraset kit were mentioned in evidence by Mr. Nicholas Guitard, a freelance journalist who introduced Mr. Barton to Daily Mail journalists.

Mr. Guitard said Mr. Barton was carrying out a survey into "slush" to be paid abroad by British Leyland.

The Mail ran the story after paying £15,000 and took possession of a number of documents from Mr. Barton.

Mr. Barton and his wife, Patricia, of Hounslow, Middlesex, are charged with forgery and dishonestly obtaining money from the Mail. They have pleaded not guilty between them to a total of five charges.

## Ready-mix ruling delayed

By Elinor Goodman, Consumer Affairs Correspondent

THE Office of Fair Trading's attempt to get an order from the Restrictive Trade Practices court preventing ready-mixed concrete companies from colluding on prices was delayed again yesterday on a technical point of law.

The delay will be embarrassing to the OFT which had hoped that the fate of these companies would serve as an example to others which failed to obey the restrictive practice legislation. In practical terms, however, the order should eventually be made when the court meets again, probably in October.

The hearing was supposed to be the final stage of the case which began last year when 44 ready-mixed concrete companies were found to have been operating cartels which should have been first registered with the Trade Practices Commission.

The court did, however, yesterday uphold the Office of Fair Trading case against eight dozen of the materials companies which operated restrictive agreements before submitting them for registration. Seven of the companies gave undertakings not to operate the agreements again without registering them first while the court made an order against the eighth, Harper and Tunstall, in the same effect. Costs were awarded against the companies.

## Chelsea club creditors reject offer

A PLAN by Chelsea Football Club to renounce many of its small debts has been rejected yesterday by the club's unsecured creditors at an informal meeting.

They turned down a once-and-for-all payment of 20p in the £ for the debts, and instead hoped for "improvement in the club's financial position would allow full payment at some future date."

The club has already paid two 10p dividends to unsecured creditors. The rejected offer of a further 20p would have left unpaid 60 per cent of the £35.54 owed to an estimated 500 creditors.

## Oil industry fears grotesque—Minister

BY RAY DAFTER, ENERGY CORRESPONDENT

DR. DICKSON MABON, Minister of State for Energy, yesterday took steps to allay oil industry concern that confidential information on North Sea activities will be used to give British National Oil Corporation a commercial advantage.

He said that the idea that the Department of Energy and the state oil corporation were conspiratorially "cheating oil companies was grotesque."

"If this department got the reputation that it could not be trusted, it would get very little information. We would be ruined."

Dr. Mabon was commenting on a dispute within the oil industry over which company found the oil corporation's new field on block 30/17 of the North Sea.

A letter written under a non-pledge to The Times claimed recently that the department had passed confidential information, gained from Shell and Esso, on the geological prospects of the block to the oil corporation and that the corporation had used the information to make its oil discovery.

The department has already denied the allegation but yesterday Dr. Mabon went out of his way to reinforce the denial. He added that it was also important for the oil corporation to recognise the

importance of "compartmentalising" its operation; of keeping its monitoring of confidential information separate from its commercial operations.

It is this latter point which is worrying oil companies most of all.

While no-one in the offshore industry has openly accused the department of passing secret information to the oil corporation, it has been stated by the UK Offshore Operators' Association, and others, that there is concern about the corporation using information gained through state participation agreements to enhance its own commercial operations.

Dr. Mabon said most groups had accepted that the corporation, through its growing technical competence, could make a real contribution to offshore operations.

Furthermore, it was never the Government's intention to give the corporation the power of veto. "That would have made BNOOC a bully-boy."

But oil companies are still uneasy about the possibility of the corporation and the Energy Department increasing the degree of state participation. It was pointed out last night that plans for giving the oil corporation greater influence under the sixth round of licences and proposals for giving the corporation preferential treatment in any change of licence partnership were undermining the confidence of oil companies in the commercial attraction of the North Sea.

Consequently, by 1980 the oil corporation will have access to more than 25m tonnes a year of North Sea crude, either through its own equity interest in fields or through such participation deals.

In addition the corporation will be able to accept royalty payments in crude oil, a move which should increase its control over UK North Sea crude to more than one-third of the total produced.

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## Colt plans Japanese car sales growth

By Terry Dods, Motor Industry Correspondent

A SURPRISING move to plan for the growth of Japanese vehicle sales in the UK—despite the present restrictions on shipments—was made yesterday by Colt Cars, distributor of the Mitsubishi range.

Colt has 240 dealers, compared with a figure of about 170 last year, and the plan is to increase the network to about 350 outlets. The company said yesterday that it had written to 8,000 dealers throughout Britain hoping to persuade some of them to take on the Colt franchise.

The decision comes shortly after Toyota, the second largest Japanese distributor in Britain, said that it had written to 250 to 300 dealers. At the same time, Honda has been rationalising its chain with a view to developing an organisation with a more up-market image.

Colt says that it is moving into the more expensive end of the market with the launch of the Sigma and Sapporo ranges, which should be attractive products for dealers to handle. Indeed, the company says that it has been trying to move in this direction in order to minimise the reduction in revenue which will follow the freeze on vehicle shipments to last year's levels.

Nevertheless, the Colt statement does not explain how such an enlargement of the dealer network will be supported in the period of relatively stagnant sales which faces Japanese importers.

There is little doubt that the British interests will press for further restrictions on the Japanese vehicle producers next year.

On the other hand, Colt's move may have been prompted by strong competition among vehicle companies to improve the quality of dealer networks.

Mr. Noel Barnett, Treasury Secretary, said last night: "During May, Mitsubishi produced 32 per cent more vehicles than during May, 1977. We intend to follow this trend with sales, given Government go-ahead. We are planning for just such an event."

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## Hunterston nuclear accident cost doubles to £36m

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE ACCIDENT at the Hunterston B nuclear power station in Scotland last year is likely to cost £36m, it was disclosed yesterday—more than twice the original estimate.

Figures given to MPs by Mr. Gregor McKeenzie, Scottish Office Minister, showed that damage to the station caused when seawater leaked into the cooling system will cost £36m to repair. But another £20m will have to be spent generating electricity in conventional power stations during the 18 months that Hunterston is out of commission.

The South of Scotland Electricity Board, which runs the station, will pay £15m, and the North of Scotland Hydro Board, which buys power from the SSEB, will pay the remaining £21m.

Previous estimates of the cost of the accident which an inquiry has established was caused by human error, have ignored the cost to the North Board, which has a heavy commitment to supply electricity for British Aluminium's smelter at Invergordon.

## PARLIAMENT AND POLITICS

Warning by Powell after Bremen summit

# Callaghan urged to avoid fixed exchange rate

BY IVOR OWEN, PARLIAMENTARY STAFF

ADVANTAGES to be gained from a zone currency stability in Europe were underlined by the Prime Minister in the Commons yesterday when he dealt with further questions about the implications of the proposed new monetary system discussed at last week's EEC summit in Bremen.

Mr. Enoch Powell (UU Down) urged him not to enter into any scheme which involved the principle of a fixed exchange rate.

Mr. Powell maintained that over the last 30 years, the morale and economy of Britain had suffered more harm from the effects of a fixed exchange rate than from any other single factor.

Mr. Callaghan made it clear that there was no question of entering into any commitment at the seven-nation Western economic summit opening in Bonn this week end.

"Nor would one be asked at Bonn," he said.

On the problems posed by fixed exchange rates, he had no doubt that a zone of stability was a preferred to much of the speculative consequences that flowed from the present system.

"If we can get something between the two, I will be very happy," he added.

Mrs. Margaret Thatcher, Opposition leader, suggested that when Mr. Callaghan met the other heads of Government in Bonn, he should inquire how they had managed to do so much better than the British Government over the last four years in the same world conditions and without the benefit of North Sea oil.

What was the explanation for the British Government being either bottom of the league or next to the bottom in jobs, prices, output and growth, she asked.

Mr. Callaghan protested that the Opposition leader was trying to discredit Britain. He looked forward to the day when she would speak up and say a good word for this country.

Mrs. Thatcher insisted that her attacks were directed at the Government and not at Britain. She again called on the Prime Minister to explain why his Government's performance compared so unfavourably with that of the other governments who would be represented at Bonn.

Mr. Callaghan questioned whether the Tory leader was correct in her assertions and recalled her part in the last Conservative Government whose policies had resulted in the three-day-week and the worst industrial confrontation the country had faced since the war.

All these matters had been remedied by the Labour Government and, in the circumstances, a "little humility" from Mrs. Thatcher would not come amiss.

In exchanges over the prospects for preventing a return to double figure inflation, the Prime Minister indicated that statistics to be published today would show a further fall in the retail price index.

## No Freedom of Information Act

BY IVOR OWEN

CONFIRMATION THAT the Cabinet has ruled out the introduction of a Freedom of Information Act to fulfil the promise made in Labour's last election manifesto, was given by the Prime Minister in the Commons yesterday.

The manifesto commitment was recalled by Mrs. Barbara Castle

(Lab, Blackburn), a member of the Labour Party's NEC, who said it had been intended to place on public authorities the onus of proof that it was necessary for information to be withheld from the public.

Prime Minister replied: "I have thought about it and I regret that I cannot come to that conclusion at this time."

He said a White Paper, to be published within the next 10 or 14 days, would give the Government's reasons for not introducing a Freedom of Information Bill.

The White Paper would also contain proposals for reforming the "catch all" Section 2 of the Official Secrets Act. He claimed that action already taken had resulted in an improvement in the amount of official information made available for publication.

## MPs back wider tax relief

By John Hunt, Parliamentary Correspondent

GOVERNMENT amendments extending the capital gains tax relief contained in the Finance Bill were approved by the Commons without a vote last night during the final day of the Bill's report stage.

The relief in the Bill is extended to the trustees of a settlement for a mentally disabled person or for those in receipt of attendance allowance.

There is also an exemption for other trusts where the settlement was made before June 7, 1978. This applies where the net gains of the year do not exceed £500. In these cases, there is also a marginal relief which runs out when the capital gain reaches £1,250.

A specific relief in the Bill is extended to personal representatives for gains accruing to them in the year of death and in the two following years of assessment.

Ministers WILL try to rush out the White Paper on pay and dividend policy at the end of next week as part of a massive clearing operation to prepare for the expected autumn General Election.

The Parliamentary schedule over the next two weeks is becoming so crowded that there is now every prospect that MPs will have to sit into the first week of August in order to complete business.

The key elements Ministers must get through before the long recess are the pay policy White Paper and the Scotland Bill. But there are a host of other statements that the Government must get through before the recess, including a decision on police pay, a White Paper on official secrets policy and a reaction to the Annan report on Broadcasting.

There will also be a statement by Mr. Callaghan next Tuesday on his return from the Bonn economic summit and debates before the recess on the recommended increase in MPs' pay and on the situation in Rhodesia.

The actual timing of the White Paper on pay will depend on the progress of talks with the CBI and TUC next week and on a decision on police pay on Thursday.

But the present hope is that publication of the document on Friday will give MPs time to consider its contents before a debate at the end of the following week.

The decision on the recommendations of Lord Edmund Davies on police pay reached by the Cabinet yesterday, will be published next week, probably on Monday. Ministers have already agreed to accept the recommendations averaging 40 per cent but they have the option of phasing the increase over two or three years.

The belief at Westminster is that the decision on the recommendations will come in the form of a "ping-pong" process. Two batches of proposals will be put in September this year and next year. This will clearly have an impact on pay negotiations even though Ministers will argue that the police are a very special case. A problem facing the Government is that other nationalised industries, doctors and firemen, also have commitments on future pay rises.

Details of salary increases for MPs were tabled by the Government last night and will be published today. They are believed to restrict the rise to 10 per cent in the current pay round, but a proposal is expected to reconstitute the top people's salary service so that any recommendations can be implemented with all party agreement, after the next election.

The Government must achieve the Scotland Bill if there is to be an October election but, to be in English for the fourth time, Ministers are in the hands of the Lords. The Commons will complete consideration of Lords amendments next Monday and Tuesday and the Bill will return to the Lords next Thursday.

Peers are expected to replace some amendments in the Bill which have not been discussed in the Commons because of the operation of the guillotine and the Bill will then have to return to the Commons in what is known as the "ping-pong" process. But Peers are not expected to repeat their defiance more than once.

Government observations on the Annan committee which was set up to examine the fourth television channel and on the future of commercial radio are expected to be published on July 25.

## Shipping line wage move angers union

BY NICK GARNETT, LABOUR STAFF

THE Merchant Navy and Airline Officers' Association is refusing to co-operate in recruiting officers for an Arab-owned shipping line after the company's decision to alter wage conditions without consulting staff.

Kuwait Oil Tankers (UK), a subsidiary of Kuwait Oil Tankers, has told its officers that they must now make their own pension arrangements. National Insurance contributions and income-tax deductions.

The association said that the decision would have "drastic repercussions" for its members, who would now be classed as self-employed and would lose entitlement to state unemployment and sickness benefits.

It complains of similar difficulties with some British companies managing foreign flag ships and is pressing the General Council of British Shipping for such vessels to be covered by a special national agreement on pay and conditions.

The general council believes that unnecessary. It says terms and conditions on those ships are the same as those negotiated for British-flag vessels.

## Views on steel closure sought

By Philip Bassett, Labour Staff

MEMBERS of the TUC Steel Committee are to visit the Glenarnock steelworks, Strathclyde, to seek the views of the workforce on the British Steel Corporation's announcement this week that steelmaking at the plant should end.

The steel committee, which was due to meet yesterday, decided earlier this week at joint talks with British Steel on the "steel contract" that the corporation's proposals for industrial democracy, to consult the views of the workforce.

Feeling in the committee is strong against the plans, which would have severe local effects.

Fewer than 1,000 jobs are at stake in British Steel's proposals, but the corporation accounts for 70 per cent of all employment in the area.

Unemployment is already running at 18 per cent in the area. Committee members were quick to point out that consultation with the workforce was not the first step towards negotiations with the corporation on closure.

Sir Charles Villiers, British Steel's chairman, has sent an explanatory paper to the TUC Steel Committee, the corporation's proposals for the end of steelmaking at Glenarnock and has requested early consultations.

The corporation believes it could save £6.5m a year from its running loss of £400m a year if Glenarnock were closed completely.

Because of the "social problems" involved, though, the corporation is prepared to keep open and finishing part of the works open and to trim back its losses by £3m.

## Wales Bill completes passage in Lords

By Ivor Owen

THE GOVERNMENT last night overcame the last major obstacle to the passage of its devolution legislation when the Wales Bill completed its passage through the House of Lords.

Lord Elwyn-Jones, Lord Chancellor, gave notice that many of the amendments introduced as a result of Government defeats were likely to be overturned when the Bill is sent back to the Commons next week.

But he conceded: "By and large, the structure of the Bill, although denied in places, remains pretty well intact."

Earlier, the Government had been defeated by 27 votes on a Tory move to preserve part of the right of appeal to the Secretary of State over school closures or other major changes. Voting was 101 to 74.

Before the Bill received a third reading and was passed, a Tory amendment allowing devolution referendum ballot papers to be printed in both English and Welsh was agreed.

Lord Elton (C), moving the amendment, said that to have the ballot paper worded totally in English seemed an act of Anglo-Saxon insensitivity, the first order to enter into the spirit of the thing and the spirit of the thing is Welsh.

Urging peers to pass the Bill, Lord Elwyn-Jones said the Government had sought to have a balanced and positive approach. A number of amendments made by peers had been readily accepted by the Government.

Certain other amendments which the House has accepted have shown what we believe to be less than complete appreciation of the structure and principles of the Bill and introduce elements of inconsistency, infelicity and unworkability which the Government cannot readily accept."

Lord Elton hoped amendments made by Tory peers would be accepted by the Commons as protecting the interests of the Welsh people and the unity of the UK.

Lord Davies of Leek (Lab) praised Lord Elton's speech and paid tribute to the efforts of Tory peers during the Bill's consideration.

For the Liberals, Lord Lloyd of Kilgerran said: "The Bill gives the people of Wales the greatest opportunity they have had for centuries to have an elected body to speak for them."

Lord Morris of Aberystwyth (Ind) said fears expressed by some peers about the Bill endangering the unity of the UK were "groundless."

## Deputation of MPs to Maze refused

A PLEA for a deputation of MPs to be allowed to visit Maze Prison in Northern Ireland, where prisoners have been protesting for political status, was rejected in the Commons yesterday.

Miss Joan Maynard (Lab, Belfast) had argued that a deputation would "help allay the disquiet felt in many quarters about the situation."

She was told by Mr. Den Canonn, Northern Ireland Minister of State that a deputation would only serve to encourage the prisoners to continue their protests.

Mr. Canonn added: "What is being sought here is a deputation of MPs going to see HM Prison Maze. It would certainly have the effect of intensifying the efforts of those people inside the prison who want special category status."

"If I was to announce a deputation of MPs going to see HM Prison Maze, it would certainly have the effect of intensifying the efforts of those people inside the prison who want special category status."

"This House has said more than once it wishes to see the end of special category status, and I am doing all I can to pursue this aim with every MP would back me to the hilt."

The protesting prisoners had already lost years of remission, and Mr. Canonn said some of them had committed such "heinous crimes" that he was not altogether sorry they would be staying in prison a bit longer.

Miss Maynard said the Government's refusal to allow a deputation suggested they had something to hide.

Mr. James Moynihan (UU, Antrim) agreed with the Government. A deputation of MPs would "play into the hands of the terrorist propaganda machine" and inhibit attempts to restore normal discipline in the prison, he said.

Prisoners in Northern Ireland have lost nearly 300 years of remission, Mr. Canonn told.

## Shooting probe promised

AN INQUIRY is to be held into the Army shooting of a 16-year-old Ulster schoolboy, Mr. Roy Mason, Northern Ireland Secretary, told the Commons yesterday.

Mr. Mason said he was "personally saddened" by the death of John Boyle, who was shot dead earlier this week in a North Antrim graveyard.

The Royal Ulster Constabulary would be conducting a full investigation and there would be a public inquiry on the boy who had been completely exonerated from any terrorist activities, the Secretary of State added.

## Protestors ejected

WELSH LANGUAGE supporters were ejected from the public gallery in the Commons yesterday after separate disturbances during debate on the Finance Bill.

In the first incident, a curly-haired man started shouting in Welsh and was joined by another young man sitting next to him. Doorkeepers immediately seized the pair and ejected them. A third man left with them.

Peers later ejected a red-shirted man shouting: "When will this House give consideration to the political trial going on this week?"

This was an apparent reference to a case now before the Crown Court in which the chairman of the Welsh Language Society and another man are charged with conspiracy to damage TV transmitters.

Soon afterwards a girl began to shout in Welsh, shouting a call in English for the fourth TV channel to be allocated to a Welsh language service.

As doorkeepers reached her a man sitting beside her also began protesting. Both were ejected.

Another couple who started shouting had hardly got a word out before they, too, were ejected.

## Benefits strike attacked

STRIKING civil servants at unemployment and supplementary benefit offices were accused in the Commons yesterday of being "utterly reckless" in their handling of the misery they might cause to the sick, disabled and unemployed.

Mr. Ian Lawrence (C, Burton) said that the strikers had been violent towards thousands of the unemployed, the sick, the disabled, the weakest people in our society.

Calling for an emergency debate, Mr. Lawrence said that official strike action had been taken by clerical staff members of the Civil and Public Services other target areas.

## Student grants increased

INCREASED GRANTS for postgraduate students, to come into effect this year, were announced by Mrs. Shirley Williams, Education Secretary, in the Commons yesterday.

For London students, living away from home, the grant is to be increased from £1,655 to £1,990 and for students in the provinces from £1,475 to £1,810.

For those living at home the grant will be increased from £1,075 to £1,210.

## Next week's business

COMMONS business next week is: MONDAY: Scotland Bill, Lords amendments; TUESDAY: Scotland Bill, Lords amendments; guillotine motion on Wales Bill; WEDNESDAY and THURSDAY: Wales Bill, Lords amendments; FRIDAY: Motion on Cinematograph Films (Collection of Levy) (Accounts) (Amendment) Regulations; European Space Agency; Community Service Termination of Association Order. Lords debates are: MONDAY: British Transport Docks Bill, third reading; House of Commons Administration Bill, second reading; Transport Bill, second reading; TUESDAY: Statute Law Repeals Bill, report; Employment Protection Bill, report; Iron and Steel (Amendment) Bill, third reading; Homes Insulation Bill, Employment (Continental Shelf) Bill, Parliamentary Pensions Bill, Registrar General's latest Registrar Bill, Community Service by Offenders Bill, report; Civil Liability (Contribution) Bill, second reading; WEDNESDAY: Statute Law Repeals Bill, report; Employment Protection Bill, report; Iron and Steel (Amendment) Bill, third reading; Homes Insulation Bill, third reading; Transport Bill, third reading; THURSDAY: Statute Law Repeals Bill, third reading; Employment Protection Bill, third reading; Iron and Steel (Amendment) Bill, third reading; Homes Insulation Bill, third reading; Transport Bill, third reading.

## One-third rise

ONE-PARENT families in Britain rose from 570,000 in 1971 to about 750,000 in 1976, according to the Registrar General's latest estimate, Mr. Stanley Orme, Minister for Social Security, said in a Commons written reply yesterday.

## Oil revenue

NORTH SEA oil is expected to bring in revenue of £550m in 1978-79, Mr. Joel Barnett, Chief Secretary to the Treasury, said in a Commons written reply yesterday.

# Weiskopf among leaders in British Open

TWO PLAYERS tied for the lead at six under par at 6 o'clock on the second day of the 107th Open Championship at the Old Course, St. Andrews.

Seve Ballesteros, 69 yesterday, is six under after eight holes, while the American Tom Weiskopf, who was also on 69 overnight, got to the turn in 33 shots and is six under after 11 holes.

Isao Aoki, of Japan, the overnight leader on 68, is five under after 16 holes, as is the young American Ben Crenshaw on 67, who has such a respect for tradition that he would dearly love to win here. Last night he told me he is playing the best golf of his life.

Australian Jack Newton, runner-up to Tom Watson in his event at Carnoustie in 1975, is four under after 10 holes.

It is felt that the qualifying round for today's third round will probably be 148, in which case the Australian Bob Shearer and the 1977 U.S. Open champion, Gary Player, will be in the clubhouse.

Open champion, will scrape in at 148 after a 75 yesterday had apparently given him a hat to 69 and 67 respectively. That men were almost totally bereft of inspiration.

here, Tony Jacklin, champion in 1969, could possibly make the cut on 149.

The weather pattern has been remarkably similar every day this week in that the early starters have enjoyed cloudy but comparatively wind-free conditions - perfect for golf - while the freshening breeze of the afternoon has burned off the haze and let the sun shine brilliantly upon record-breaking crowds.

Yesterday, for instance, the official attendance figures at 4 pm of 24,501 broke all records for a single day's play, and it is now certain that the aggregate attendance record of 88,000 will be exceeded before tomorrow's play starts.

Just as the Japanese overnight leader Aoki was able to set his target in the early hours of play, so it was that the Australian Bob Shearer and the 1977 U.S. Open champion, Gary Player, will be in the clubhouse.

Open champion, will scrape in at 148 after a 75 yesterday had apparently given him a hat to 69 and 67 respectively. That men were almost totally bereft of inspiration.

four under par 140.

"Shortly before 6 o'clock, with at least another three hours' golf in prospect, a quartet was at 141 Jumbo" Ozaki of Japan (72, 69), the defending champion Tom Watson (73, 68), Tom Kite of the U.S. (72, 69) and the Japanese Nakajima (70, 71).

At 143 were the great Arnold Palmer after identical rounds of 71, his countryman Orville Moody, and former English school teacher John Morgan 74, 68.

The only other players below par at 143, one under were the British pair Nick Faldo and Bernard Gallacher; the U.S. trio of Jack Nicklaus, Andy Bean and John Schreieder; and the Australian PGA champion, Mike Cahill.

Shearer, who is normally a magical putter, he takes the blade back and slides it through to the ball so closely to the turf a good iron shot from a poor lie on the 16th fairway and holed from 40 feet for a birdie, but he did a mess of the 382 yards and both 16th hole have so many players so far, to drop a second stroke to par in a solid round.

Shearer's saving grace was that he made a significant move around the loop between the eighth and 11th holes, scoring birdie 2, par 4, birdie 3 and birdie 2.

**GOLF**  
BY BEN WRIGHT

His first birdie came at the 564 yards 5th hole where he rolled in an eight foot putt after coming up short of the green. He holed from 20 feet at the eighth, from 6 feet at the 10th and from 20 feet again at the 11th.

A hidden bunker caught his drive, making him drop a stroke to par at the 13th hole. He hit a good iron shot from a poor lie on the 16th fairway and holed from 40 feet for a birdie, but he did a mess of the 382 yards and both 16th hole have so many players so far, to drop a second stroke to par in a solid round.

Cullen is obviously not yet ready to win a championship of this magnitude. For example, he told newsmen: "Tomorrow morning when I have to stand out there with somebody like Palmer, I will be frightened to death."

A lot of young men still in this championship when the sun falls in the twilight this evening will feel the same way.

Palmer was at one stage tied for the lead until he took a horrible seven at the 17th hole that has proved a disaster area all week long.

## Phone engineers' hopes rise

BY OUR LABOUR STAFF

POST OFFICE Engineering Union officials hoped yesterday that a decision to allow 26 engineers to return to work marked a change in the Post Office's handling of the misery over the union's demand for a shorter working week.

The engineers were sent home from the Post Office's National Switching Centre at Cricklewood, North London, for refusing to carry out new work. A further 14 engineers have also been allowed back to work at Dundee.

Post Office said the new work they had refused, although they would be asked again if the work was "essential to the service."

There had been no change in principle by the Post Office. Lord McCarthy, who is heading the inquiry into the dispute over the claim for a 35-hour week, will meet union officials and the Post Office today. His report and recommendations on the dispute are likely to be presented to both sides and to go to Mr. Eric Varley, Secretary for Industry.

Mr. Varley hopes the report might suggest a basis for settlement of the dispute, although the union said that Lord McCarthy had failed to find a peace formula and that neither side had moved from its position during the inquiry.

Lord McCarthy may decide to produce a further report based on the reaction of the two parties at today's meeting.

BBC radio coverage of Sunday's British Grand Prix has been affected by the dispute, although the corporation still hopes to televise the race. Plans for a live broadcast have been cancelled because essential handlines cannot be laid during the engineers' overtime ban.

## Speke flights may be hit

STRIKE ACTION threatens to staff affected by British Airways around all British Airways decision to leave Speke in flights due to leave Liverpool November and hand over its airport today at the start of a services to British Midland Airways as part of a route exchange.

Speke are expected to stage a 24-hour stoppage.

Ten flights due to carry 450 passengers may be affected.

British Airways said yesterday that all passengers had been contacted and other arrangements made. Some were delaying their journey for 24 hours until services return to normal tomorrow.

The action is over terms for continue.

## Cargo vessel freed after seven weeks

THE NEW ZEALAND refrigerated freighter, Waitangi, 12,258 tonnes, which has been trapped by an unofficial strike in the Mersey for seven weeks has been freed following a compromise.

The vessel will move to the Royal Seaforth Dock complex at Crosby, today and will start to unload a cargo of butter and meat into the Mersey docks transit cold store.

The group is a separate organisation from the toolroom committee, which organised a seriously disruptive strike in the company last year, but shares similar aims. Its members include electricians and other groups whose absence is likely to cause severe difficulties if the action goes ahead.

The holiday break at Chrysler's Linwood, Scotland plant began last night with a dispute by 350 men over working conditions in the paint shop unresolved.

Management and shop stewards will be available for discussions between now and the end of the holiday on August 7. But even if the dispute is resolved during the break, full production will not be able to resume until clearing up and production work has been completed.

## Threat over chemical leak

SHOP STEWARDS representing 1,400 construction workers from the Monsanto chemical group's Seal Sands plant in Tescote said yesterday they would order a walkout if further leaks of acrylonitrile occurred.

During the past three weeks five such leaks have been detected at the partly finished plant. Nearly 1,000 builders refused to work last week until Monsanto agreed to improve alarm systems.

Acrylonitrile is an intermediate chemical used in making plastics and textiles. It is estimated that there have been more than 250 unofficial stoppages by construction workers at the site since work began nearly four years ago.

During that time costs have risen from £125m to £180m. Completion of the plant is a year overdue.

## Mersey fares up in October

A SPECIAL meeting of the Merseyside county passenger transport committee in Liverpool yesterday agreed in spite of considerable opposition to a new fares structure on buses, ferries and suburban trams from October, to raise another £3.3m a year.

# The Property Market

BY JOHN BRENNAN

## Funds as angels?

IN A WEEK when the three largest labour unions have called for a standard 35-hour working week, it is worth considering institutions' unwillingness to view leisure property as a sensible investment.

The case for a sharply increased amount of leisure time has been hammered home by a number of recent employment forecasts. Projections from the Institute of Manpower Studies, in a special employment planning edition of the Royal Town Planning Institute's magazine, suggest that by the end of the century, the amount of work in Britain by the end of the century, assuming an annual growth rate in the economy of between 2.5 and 3 per cent, over the next 25 years the Institute anticipates gross unemployment at the turn of the century to be between 3 and 5m.

Mass unemployment is hardly going to put leisure investments on institutional shopping lists. But this substantial element of structural unemployment goes hand-in-hand with forecasts of dramatic changes in the patterns of work for the employed population.

The planners' support the arguments in favour of a greater amount of 'capital deepening' investment: that is, investment in new technology rather than in new staff, and they anticipate

on that basis the office lobby looks safe. But then plenty of investors stuck to watermills after a look at the early steam engines.

It is just not possible to make any accurate forecasts about the country's future office requirements without taking an unwisely firm view of the move towards office automation, and yet institutions now fight one another for office investments and, complain about an overheated market while ignoring one sector that is bound to grow, leisure.

The planners' expect annual working hours to fall from the current 1,793 to around 1,550 leaving no less than 4,290 waking hours a year free. As part time work takes up an increasing amount of total employment, the planners expect part time employees to continue to rise from 9 per cent of the working population in 1961, past the current 18 per cent, to 29 per cent by the end of the century —there are going to be plenty of people with time on their hands.

Laurie Marsh, chairman of Intereuropean Property Holdings, which runs the Classic Cinema chain, goes so far as to blame a fund managers' unwillingness to invest in leisure schemes as a factor behind urban violence and vandalism. He has tried unsuccessfully to interest institutions

in cinema and other leisure investments, running each time into a blank wall of indifference. Funds are, he believes, 'totally unaware of the extreme importance of leisure property in the future of our society.'

Fund managers tackled on Mr. Marsh's arguments seem to view leisure investments as little more than an extension of the system of theatrical financing, and they do not relish the thought of attempting to convince investment Boards that there are benefits in acting as 'angels' waiting with baited breath for a show to succeed or preparing excuses when it fails.

Leisure is all very well, they argue, but in the past the few funds that have become involved in leisure investments have come embarrassingly and expensively unstuck. The managers argue that the risks on leisure schemes are too high to fall within the parameters of institutional quality investments. And fears of changing fashions, problems of subsidised local authority competition in the provision of sports facilities, and simple ingrained investment tradition all stand against leisure financing.

In the past, one key reason for non-investment lay in the low level of investment in leisure as a whole. A circular argument developed where fund managers could say that leisure investment was too small to justify the time needed to investigate it in detail, and so the level of investment remained too small to justify the time, and so on.

If the projections of free time are even partially correct, that argument seems hard to justify any longer.

Fashion, albeit technological rather than purely personal fashion, can make a nonsense of long-term projections of letting demand for industrial property offices and, to a lesser extent, shops, in exactly the same way there will be few problems to let a minimum expected rent offer Royal plans to hold it as an investment.



Samuel Properties and Bryant Holdings may not be having everything their own way at St. Albans—where local opposition has re-

opened the door to alternative town centre development schemes but the companies' joint development operation, Bryant-Samuel,

projection of employment levels includes a dramatic increase in the amount of free time, funds may well be forced to take a serious look at leisure fashions. And adding T and C's highly competitive cash without simply gambling on a repetition of the traditional property market cycles.

### IN BRIEF

ROYAL INSURANCE has already rejected one tentative offer to buy its 42,000 sq. ft. freehold building at the junction of Cornhill and Lombard Street. The building, Number One Cornhill, stands directly opposite the Bank of England, and despite the offer Royal plans to hold it as an investment.

At the 'Topping Out' ceremony on Monday letting agents St. Quintin, Son and Stanley seemed confident that, in view of unsolicited interest to date, there will be few problems to let a minimum expected rent offer Royal plans to hold it as an investment.

Trollope and Colls, the main contractors, expect to complete the whole internal rebuilding work in just 28 months, from February 1977, to June next year. And adding T and C's highly competitive cash without simply gambling on a repetition of the traditional property market cycles.

It took St. Quintin a year and 22 landlords and tenant actions to clear the block. But it is unlikely to take as long to fill it. Talk of rents is, however, complicated by the fact that 8,000 sq. ft. of the offices will be underground and a further 6,500 sq. ft. will be in the form of a banking ball.

A CHANGE of faces at the Royal Institution of Chartered Surveyors this week brings quantity surveyors Peter Grafton, senior partner of G. D. Walford and Partners, in as the new president.

should be happy enough with its Waterloo Court restoration in Birmingham.

All but 5,500 sq. ft. of the 48,000 sq. ft. offices in Waterloo Court have now been taken. And tenants ranging from Algemeine Bank Nederland, the Hong Kong and Shanghai Banking Corporation and Banque Nationale de Paris, to the American International Underwriters group, are paying rents averaging £4.50 a sq. ft., significantly above the norm for modern space in central Birmingham.

Letting agents Phoenix Beard, Elliott Jones Martin and Edwards, Bigwood and Bewlay, expect around £4.75 a sq. ft. for the remaining suite, pushing Waterloo Court's total gross rent roll to over £220,000 a year.

Christopher Willis, a partner of assets of 91p, fully diluted to the mid-40s. And it looks as though the market has it about right.

Any doubts about the eventful emergence of a bid are, however, premature. It is now 6 weeks since the first announcement of a continental approach.

But Samuel Montagu, EPC's advisers, confirm that talks are still in progress. Problems of sorting through EPC's mass of properties, debts, and cross-currency holdings, not least negotiations to prevent a bid triggering action forcing divestment of EPC's Trizec stake under the Canadian Foreign Investment Review Act, could take days yet.

THE TAKEOVER approach to English Property Corporation remains the focus of attention in a quiet property share sector. Dealers have done their own calculations on the EPC accounts, and the simple deduction of Capital Gains Liabilities, potential write-offs to cover the group's Belgian properties, its remaining UK developments, its trouble-

some scheme in Nice, as well as estimates of future revenue loss, cut the level of any reasonable bid from published net

Bryant and Samuel funded the scheme themselves. But it is understood that an institutional re-funding is in the air, even though the scheme's council ground-lease runs for 99 rather than 125 years.

In another investment sale, Samuel has disposed of its long leasehold interest in the Queens Square Shopping Centre in the London Borough of Newham to the council.

Samuel built the scheme, at the beginning of the 1970s, and has now sold on its lion's share of an annual rent roll of £150,000 from the scheme's 60 shops. De Groot Collis acted for the developer and Newham's estates department is handling plans to develop a covered shopping centre on the site.

Property Deals appears on Page 10, and the quarterly RICS/FT Poll of Property market indicators appears on Page 33.

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## PROPERTY DEALS

### Industrials for Harringay

TREYOR ASHBY'S private London Southern and Western Properties, in partnership with William Moss and Sons the builder, has taken over the Harringay Arena development recently dropped by Tesco.

Tesco abandoned plans for a superstore on the 51-acre Harringay site in March, and LS and W has stepped in with a £21m industrial estate development, with planning permission for a total of 92,500 sq ft of warehouse and factory space.

LS and W bought the Arena land and buildings from GFA, the grehound stadium group, for £560,000. The developers have already pre-let a 20,000 sq ft warehouse to Wicks Building Supplies, work on which will be completed by the end of January, 1979.

Demolition of the Arena buildings will be completed by mid-November this year. The whole estate, offered jointly through Boyd Ridgely and Partners, and Willmoss and Company, should be finished in 18 months.

Another industrial deal, taking LS and W's total industrial development programme well over 1m sq ft, is that current focus of institutional irritation, High Wycombe.

The market overflows with underbidders on the tender for the former Spillers' bakery site at High Wycombe, bought eventually, it is believed, by an owner-occupier untroubled about local user restrictions.

If speculation about the Spillers' sale price is correct, LS and W has a bargain, having bought a 2.5-acre site for 43,000 sq ft of industrial space on the main London Road at High Wycombe, and expediting a total development cost, plus site, of around £1m.

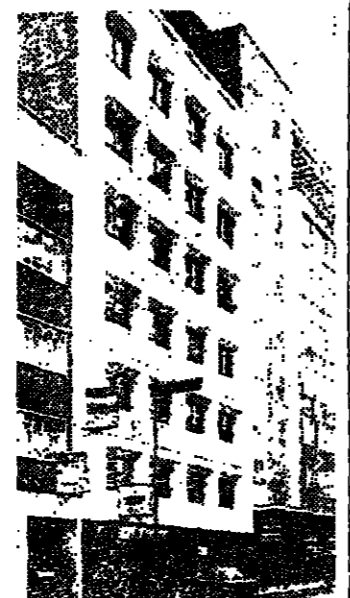
The group is building 18 "nursery" units, ranging in size from 2,000 to 3,000 sq ft, and is letting the space through Boyd Ridgely and local agent Cruickshanks.

THE NATIONAL Union of Railwaysmen has submitted a planning application to Camden Council to redevelop its Unit 1 House headquarters on Euston Road, NW1. The railwaysmen, advised by Savills, have an Office Development Permit to put up 60,300 sq ft of new space and, as the union is only looking for temporary accommodation for between 20,000 and 30,000 sq ft for the 21-year building period, it is probable that around half of the new block will eventually be sub-let.

ONE lone empty remnant of the 1974 collapse has finally found a buyer. Shirlstar Container Transport, advised by Tuckerman, has paid rather less than 200,000 for the 2,640 sq ft office refurbishment at 71, Great Peter Street, Victoria, SW1. The company refurbishing the building went bust during the property crash, and its bankers, G. T. Whyte, the banking arm of the failed Triumph Investment Trust

which is itself now under the wing of receivers from accountants Price Waterhouse, has disposed of the block through Jones Lang Wootton.

Firms now haggling over rent reviews in Holborn will not be able to draw too many conclusions from Knight Frank and Rutley's letting of the former Amalgamated Investment and Property development at 288-293 High Holborn, W1C (below).



The agents, acting for AIP's receiver Mark Homan of accountants Price Waterhouse, have signed up Celcon Limited to take the whole 17,000 square feet of air-conditioned space at around 57 a square foot. But as the negotiations were completed before Christmas, the rent now looks on the low side.

The first five-year review on Celcon's 25-year lease falls due in December 1982, and to make the building more saleable, Gagliardi Designs, the furniture group that has just taken the retail space, has had its 20-year lease backdated to the same starting date.

Fairbrother Ellis advised Celcon, and De Groot and Collis acted jointly in the deal with KFR.

KFR have also been on the buying trail for Hanover Property Unit Trust, buying three freehold investments for a total of £2.75m.

Four industrial units totalling 110,000 square feet at the Forest Trading Estate, Walthamstow, east of London, are to show an initial net yield of 9.4 per cent. In the second deal an 11,700-square-foot office at Muswell Hill let to Rovers cost Hanover £500,000 and shows a 6.5 per cent return. Drivers Jonas acted for the vendors.

In the third deal, Clive Lewis introduced four newly-developed industrial-warehouse units on the Chesterfield By-Pass Industrial Estate. The fund paid £775,000 for the 56,000 square feet of units to show a return of 7.7 per cent. Eadon Lockwood acted for the vendor.

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01-882 4633

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# Saturday night on Sunday morning

Video cassette recorders set you free from TV timetables. That's why video taping is fast becoming a billion dollar business in the United States.

Over here, the idea's still quite new. So many people don't realise that all video tape recorders are not created equal.

Sometimes, the taped picture quality leaves a lot to be desired. Or the tape runs out ten minutes before the end of the programme.

In fact, it takes a very special recording system to give perfect picture quality plus adequate recording time. The Matsushita group's VHS is such a system.

That's why VHS has been taken up by most of the big TV manufacturers in the United States and Europe.

Our record in TV is impressive. We brought out a set with a screen the size of a postage stamp in 1969. And the world's smallest colour portable in 1972. Our famous "Magic Line" tuning came

in 1952. Total worldwide production to date: over 50 million sets.

Technics, one of the most innovative hi-fi makers in the world, is a sister company.

Their direct-drive quartz-locked turntables and tape decks are noted for superb sound and utter reliability.

Without all this experience in the TV and audio fields, VHS video tape recording would probably still be on the drawing board.

Instead, it's here on the market. The Panasonic NV-8600 is built to last. It has a die-cast aluminium chassis instead of a flimsy stamping. And the video cylinder motor is, of course, quartz-locked and direct-drive.

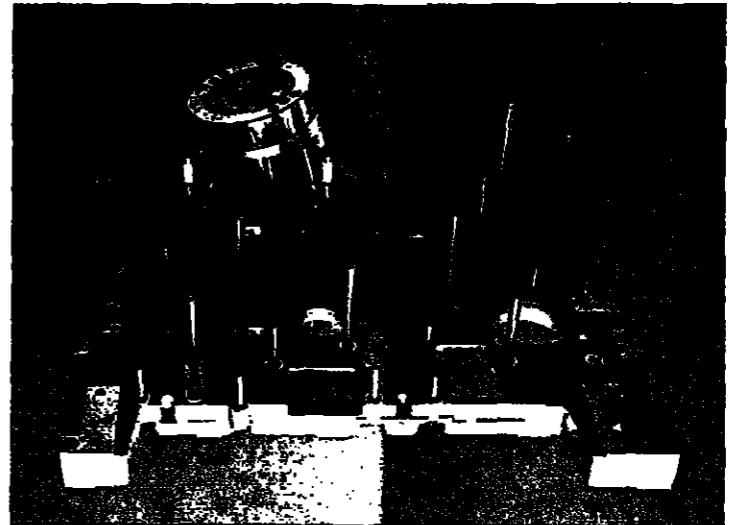
Naturally, the 8600 has a built-in digital auto-timer. You can preset it to automatically record a programme on one channel while you're watching another. Or even to record while you're not at home.

A whole film easily goes on one 3-hour VHS cassette. Including the last ten minutes when Dracula is tracked down to the lonely churchyard.

After a bit, you'll probably want to add the portable video camera. Then family events like Christmases and birthdays will become a treasured part of your growing video cassette library.

Panasonic is part of Japan's biggest consumer electronics group—Matsushita Electric.

We got where we are today by bringing people what they want. Like the freedom to spend Saturday night on the town and Sunday morning watching Match of the Day.



The 8600's die-cast aluminium chassis and quartz-locked, direct-drive video cylinder motor.



The NV-8600 can be used with any good colour set. But our superb TC-2201 with "Magic Line" tuning forms the ideal combination. For further details please contact National Panasonic (U.K.) Ltd., 107/109 Whitby Road, Slough, Berks. Tel: Slough 27516.

**N Panasonic**

National, Panasonic and Technics are the brandnames of Matsushita Electric.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## INSTRUMENTS

### Deep sea metal gauge simple to operate

DIVERS WORKING deep below the sea need equipment which is easy to handle and to read. A new concept in ultrasonic underwater thickness gauging certainly meets those criteria since it is about the size of a big car inspection torch and gives an immediate, plainly visible digital readout of thickness.

"Seaprobe" is the name given by the developers to the device which is for inspection of metal in offshore installations, ships, piers, piling, etc.

It is entirely self-contained and operation could hardly be made simpler since it consists in pressing the head of the instrument against the surface to be measured. Moreover, the developers say it costs about half the price of other types of underwater sonic units.

Depth to which the unit can be taken is at least 650 feet and it can be used on corroded or rough surfaces. The case itself is pressure-sealed so that the instrument does not have to be put into a special container designed to withstand high

pressures. This is one of the factors contributing to the portability and compactness of the gauge. All controls have been eliminated by pre-calibrating the unit for a given group of metals—generally steels. The integral probe head is flexibly mounted in the end of the instrument case, acting as on-off switch.

Characters in the digital display are 15 mm high and can easily be read over a wide angle of vision. The display only lights up when a reading is being taken to help conserve battery power. Rechargeable batteries in the body of the device would normally be topped up overnight by electrical induction using a charging unit actually built into the equipment carrying case.

This means elimination of the need to have electrical connections through what has to be a watertight case, with a consequent improvement in reliability. Further details on the Seaprobe from Baugh and Weedon, Widemarsh Street, Hereford HR4 9EZ. Tel: (0432) 67671.

## OPTICS

### Soft lenses progress

NRDC is investing £400,000 in a joint venture with R. Kelvin Watson to develop and test a new continuous-wear soft contact lens. The NRDC contribution will represent 50 per cent of the total development costs.

Soft lenses are more comfortable to wear than the traditional hard ones and have been on the market for several years. However, these are daily wear lenses and, so far, continuous-wear lenses have had only limited application.

High oxygen permeability is an essential factor in selecting a material suitable for lenses and the polymer which is to be used in this new development programme is one which results from research originally funded by NRDC at Aston University under the direction of Dr. B. Tighe who is now working in conjunction with Dr. H. Gee, of R. Kelvin Watson.

The new material is clear and colourless, absorbs water in a predictable way and has a very high water content in its hydrated state. This means that oxygen can pass easily through the lens. In addition, lenses made of this material are much stronger and more resistant to

tear than currently available high-water content soft lenses from other manufacturers. Lenses based on the new polymer are under test.

Kevin Leases, Kelvin House, Denton, Manchester, 061 335 6232.

In the meantime, from the U.S. comes an indication that suffers from astigmatism might be able to benefit from the soft lens developments, provided their condition is not too acute.

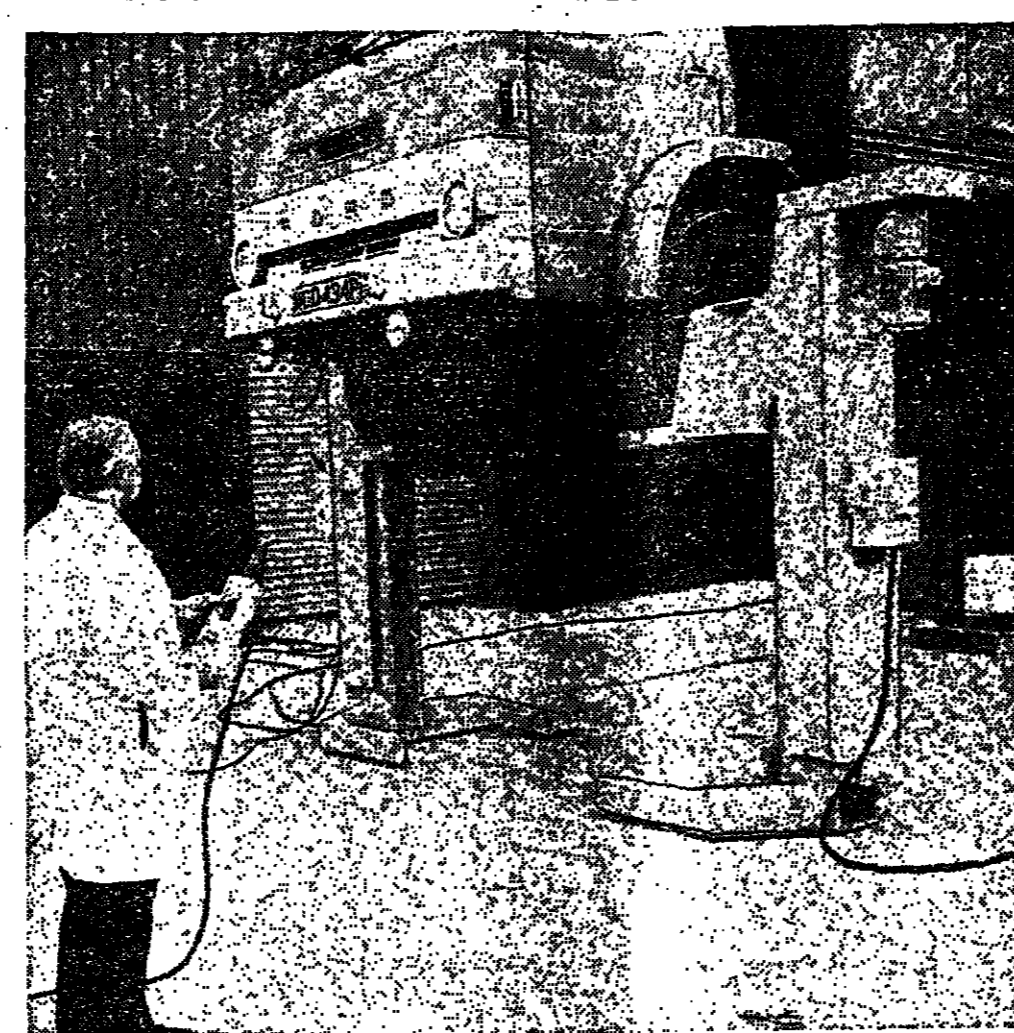
Continuous Curve Contact Lens Inc. has reported that its Soft Lens Inc. subsidiary has received Federal Drug Administration approval to market a new soft contact lens which will correct small amounts of astigmatism. This defect is due largely to deviation of the cornea from a spherical shape so that, in simple terms, the image of a point tends to be elongated and pictures built up from many points are blurred.

Current types of soft lenses conform to the shape of the cornea and consequently can do little to alter astigmatism.

How the U.S. company has achieved this advance is not known, nor is the precise date it expects to begin marketing.

## HANDLING

### Easier to service vehicles



This lorry has been raised to servicing height by four Tecalemit electric hoists operated in synchronism from a single control.

ELIMINATING THE restraints imposed by inspection pits and fixed lift installations in busy commercial vehicle and PSV workshops is a new electrically driven mobile column lift from Tecalemit Garage Equipment Company.

The columns are fitted with lifting forks to lift vehicles from under their wheels. The operating part of the column is outside the base area of the vehicle, giving extremely good access. All four (or six) of the columns can be raised in synchronism from a single control. An important advantage is that four of the columns can be used to raise one vehicle which can be lowered on to fixed tripod stands while the lifts are used to raise another. The columns can always be left free to undertake other vehicle lifting work.

A trailer dolly fitted with a steering knuckle is supplied with the columns, allowing them to be wheeled into position. With the dolly removed the unit sits on three contact points to give perfect stability during lifting.

Each column is driven by a 1.5 kW (2hp) motor coupled to a drive screw through gears. The company is at Roborough, Plymouth, Devon (0752 701212).

## RESEARCH

### Sticking big aircraft together

AT LONG BEACH, California, McDonnell Douglas has begun a research project to find out whether adhesive bonding could be used instead of rivets for the assembly of large aircraft.

A 32ft long section of a wide-cabin fuselage is being tested to see if it can withstand prolonged exposure to the stresses and strains of military operations.

By using an epoxy resin instead of rivets for joining aluminium parts the company found it required 78,300 fewer rivets for the fuselage section. Nineteen separate panels about 30ft long and 9ft wide have been bonded under heat and pressure to form the 18ft diameter fuselage segment.

The test programme will include simulation of cabin pressurisation, wing landing gear, cargo and other weight loads to which an aircraft is subjected during movement on the ground, on take-off, flight, approach and landing.

During each cycle, from taxi to landing, air will be pumped into the section, pressurising it to a maximum of 7lb per sq in and then withdrawn, simulating depressurisation during descent. Hydraulic jacks will also exert compression and tension loadings corresponding to the landing gear, wing, cargo and dead weight loads.

Each cycle, lasting only 26 seconds, is reckoned to be the equivalent of 1.57 hours of military transport service. Testing will subject the adhesively bonded structure to the equivalent of four lifetimes of aircraft operation. Reactions to physical damage will also be studied.

## PHOTOGRAPHY

### Films paper at speed

MADE BY Terminal Data Corporation in the U.S. and marketed in the UK by Image Systems, a high speed automatic camera called Documate can handle document sizes up to A3 and will produce images on any microformat from 16 mm to 105 mm, changes being made simply by snapping on a fresh film magazine.

Documents are fed in on a moving belt at 2.5 metres/sec, briefly stopped for filming under automatic exposure control and are then either ejected or turned over by a roller arrangement and filmed again before ejection.

In addition, to maintain the correct sequence documents may be filmed once only and be turned over before ejection into the output stack.

For committing documents to film, the multi-image format of margin, column and row spacing and number of columns is set by switches and by sitting in a disc which directs the images to the right places on the film area.

Microfiche titles of up to 76 alpha-numeric characters on pre-punched paper tape are electronically read and converted into LED characters which produce images on the top of the film. But titling can also be filmed from negative strips separately so as to include graphics.

Indexing of filmed documents is generated by the camera superimposing a code on the frame during filming or by printing it on the document as it enters.

The camera is well instrumented for improperly loaded or broken film, empty magazine and misaligned documents, the full state of the operations being shown on a display. Prices start at £68,000.

More from Image Systems at Church Way, Edgware, Middlesex (01-892 4455).

### Enlarging on demand

PRODUCTION of high quality photographic enlargements, automatically, in 60 seconds without the use of a darkroom, and at the low materials cost of less than 55p per enlargement is possible with newly launched equipment.

BeeSO Photographic Systems describes it as a completely self-contained, mobile enlarger, 51 inches in size and weighing 340 lb. Operating from a 13 amp power supply, and without any plumbing requirements, it automatically enlarges a 2 1/2 x 2 inch section of a 5 x 4 inch or 2 1/2 inch

square negative, using standard, readily available, photographic paper and chemicals.

The company is offering various types of equipment, based on the 480E, to meet a wide range of applications, varying from a "while you wait" photographic portrait service to photographic copying/enlarging facilities for commerce and industry.

The units systems are simple to operate and unskilled labour can be trained to a high level of proficiency within three hours. The company provides support with a full spares, materials and nationwide emergency breakdown service.

BeeSO Photographic is at POB1, Wivenhoe, Colchester, COY 9EA 0206 32 5253

## COMPUTERS

### Wang drive starts in Britain

AIMED AT the large segment of the small to medium machine market in which there are now a growing number of obsolescent machines, but offering a technique—virtual memory—generally associated with far more powerful equipment.

Wang's 2200VS series of three computers has been formally launched in Britain. Marketing will initially be in the London area, later extending to the Midlands as support staff is trained.

One characteristic of the equipment will awaken an immediate response from data processing managers who have to cope with multi-use situations. This is the ability to add user terminals, memory, storage or printers, without the need to modify existing software, including applications routines.

The operating system, not the programmer, will fit the routine being run to the available memory and virtual operation means a reduction in programming requirements because restrictions imposed by the system disappear, and the discs are made to behave as if they were part of the main store.

Cohol, Basic, RPG II and Assembler are the languages

supported on equipment that begins with one or two workstations and 64 kilobytes of memory and can be expanded up to 23 stations, serving a processor with 512 kilobytes and as many as eight 288 Megabyte discs.

This places the top machine well up in the IBM ranges, for instance, at about the level of a large 125. But Wang indicates that it expects to have an impact on the larger DEC machines, the Hewlett Packard 3000 and presumably ICL's large installed base of 2903 machines. It claims to be as effective as a medium-scale machine from traditional makers, but at one-quarter the hardware cost.

In Britain, the company has a market base of 1200 users and is supported by some 20 software houses. It is expected that five of these will add the 2200 VS machines to their repertoire, and that other houses, particularly interested in business languages, will join the support group.

Wang is a company that has grown at 29 per cent compounded over the past five years. Its sales in the 1977 fiscal year amounted to \$134m and orders booked to date indicate a new record of \$225m for the fiscal year just ended. The target is \$180m in 1978 and since the new introductions extend the sector addressed by the company's product line from only 25 per cent to as much as 80 per cent of the total market, this does not seem as impossible a target on present performance. Wang should achieve it in seven years.

Wang (UK), Data Processing Division, Arzyle House, J.P. Street, Northwood Hills, Middlesex HA6 1NS, Northwood 28211.

## OFFICE EQUIPMENT

### Inefficient mail rooms are costly

ALTHOUGH VOLUME mailing has been commercial practice in Britain for 100 years, thousands of organisations still collate multi-page documents for the post by manual methods, when machines could carry out the process 15 times as fast.

Because of mailbox inadequacies, many concerns have to call on highly paid secretarial staff to help with the chore.

This is only one of the reasons why the British Equipment Trade Association (BETA) is staging the second Mailing Efficiency Exhibition this autumn.

Millions of letters are posted every week over-stamped for reasons, BETA believes, up-to-date mailbox equipment is designed to eradicate. Not only do the machines make savings on postage possible, they also effect their operations in less office space, faster and more effectively.

As an example, one of the exhibiting firms (Pitney Bowes) markets a machine which can collate a 30-sheet set at every cycle. It requires less floor space than an ordinary office desk, whereas to assemble a 30-sheet project by hand demands not only enough table space for 30 piles of paper but adequate walk-around area too.

Docu-trail, another new machine to be shown, has been designed to sort mail according to a whole variety of criteria.

Equipped with a multiplexer unit it can sort out firm's incoming mail by envelope length, by the sending of specific marks on the envelopes, or even by magnetic sensing of contents, and its mixed mail sorting speed, says Mailing and Mechanisation of Beckenham (Kent), is around 500 items a minute.

From Switzerland comes a new postal franking machine which eliminates the old practice of having to take a heavy meter to the post office when fresh credit is required. Instead, according to Hasler GB, users just ask for an easy-to-insert value card purchasable over the Post Office counter for £20, £100 or even £1,000 a time.

Mailing Efficiency Exhibition '78 will run from September 26 to 28 at the Bloomsbury Centre Hotel in London.

Further details from BETA on 405 8777.

## SAFETY

### Non-electric control of levels

DEvised by Pneumabeds of Cumbria and already being supplied to the Middle East for the loading and storage of nitric acid is a pneumatic level sensing and control system which is free from electrical devices.

As the level of the product rises in the tank it eventually covers the open end of a probe which is being continuously purged with low pressure air. The resultant back pressure provides a pneumatic signal which can be used to close the main product valve and stop the flow, establishing the level in the tank. Adjustment of the activation point is provided.

All component parts in direct contact with the product are in stainless steel and since the system is air operated it is entirely suitable for hazardous areas.

More from P.O. Box 3, Workington, Cumbria CA14 2BD (0900 5303).

## HEATING

### Fuel oil use reduced

REDUCTIONS in heat loss and fuel consumption are announced by Weishaupt (UK), Willenhall, following the introduction of a new servomotor-driven butterfly valve into the air intake of the company's two-stage gas, oil and dual fuel "Monarch" burners.

The effect is to regulate air flow to match burner load during single- and two-stage operation, and to cut off the flow completely during shutdown.

Overall combustion efficiency of heating systems and processes is substantially improved, since unwanted cold air cannot be sucked into the boiler. Savings in fuel costs can be considerable although there are difficulties to quantify because many factors must be taken into account, such as the size and type of installation, the height of the chimney, and the operating/shutdown ratio.

Weishaupt (UK), Neachalls Lane, Willenhall, West Midlands, WV13 3RG. 0902 68941.

## COMPONENTS

### Pressure on the fibre market

CORNING Glass Works has added 16 high-performance optical waveguide fibres to its line, including two products with 1000-MHz bandwidth and six products with attenuations of four dB/km or less. The company has also reduced prices by an average of 25 per cent, making competition from European companies in the area that much more difficult.

High-quality, low-loss optical fibres now sell for as little as \$0.50 a metre, for Corning, N.Y. This is for a product whose characteristics include a maximum attenuation level of 10 dB/km and a minimum bandwidth of 200 MHz/km.

Twenty new types of optical waveguide fibres, with attenuation levels from three to 10 dB/km, and bandwidths from 200 to 1000 MHz/km.

All Corning optical waveguides have core diameters of 63 micrometres, outside cladded diameters of 125 micrometres, and outside corner diameters of 138 micrometres. Tensile strength screens test assure that all Corning fibres have minimum strength of 25,000 psi, or 17.5 kg/mm squared.

Additional information from Corning, 1 Princess Street, Richmond, Surrey TW9 1DZ.

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## The Management Page

EDITED BY CHRISTOPHER LORENZ

## The broker who made a happy marriage

DESPERATION and uncertainty have not yet driven anybody to leap out of a Wall Street office window, but the wave of mergers which has been changing the face of the U.S. securities industry for the past two years has left many thousands of people fearful for their jobs. Scarcely a month has gone by without an announcement of a union between names hitherto renowned for their competitive independence.

"I have nightmares about picking up a newspaper one morning and discovering I am out of a job," said one securities analyst recently whose employment has, in fact, survived one of last year's bigger mergers.

The consolidation and rationalisation which inevitably follows many mergers poses management with the task of eliminating areas of overlap and duplication of function. In some cases employees in a company absorbed by a merger have left out of uncertainty about their future in the post-merger organisation. Some are enticed away by other securities firms which are always on the lookout for good quality securities salesmen.

Following Merrill Lynch's recent acquisition of White Weld, for example, more than 100 White Weld employees have moved on, though not all to become unemployed. Merrill Lynch is currently complaining in the courts about Blyth Eastman Dillon recruiting an entire office in Omaha of former White Weld representatives.

Clearly, consolidating a merger puts something of a premium on management skills for in most cases the objective is to obtain a speedy fusion of the two organisations with a minimum of disruption of day-to-day activities. In particular the objective is to ensure that prized employees are not seduced elsewhere because they are anxious or disillusioned.

As chairman of Mitchell Hutchins, Don Marron had given much thought to the pitfalls which lay ahead when he led his company into a merger with Paine Webber in May last year. When he took over control of Mitchell Hutchins in 1965, Marron had been something of an oddity on Wall Street because of his commitment to full-time management. Traditionally, Wall Street brokerage houses had been run by men whose first pre-occupation was on one aspect of the business, whether it was stock trading or corporate finance. Though not short of experience or expertise in any part of Mitchell Hutchins' activities, Marron had seen his job principally as a developer of the business whose responsibility it was to hire the right people and to ensure

that their commitment and enthusiasm were maintained as strongly as possible.

Mitchell Hutchins' development offered some testimony to the success of Marron's approach. By the time of the merger he had built the company into a small but highly respected brokerage house specialising in servicing the research and trading needs of institutional investors. Its capital had increased from \$1m to \$12m and its payroll more than 400 people, including more than 100 professional analysts, traders and salesmen.

The visitor to the company's offices on Battery Park Plaza was, and still is, struck by the sense of intimacy which pervaded the place, and also

**JOHN WYLES on a Wall Street brokerage merger where the smaller partner assumed a key role**

by the modern art paintings on the walls; the collection of connoisseur Marron.

Marron was able to carry virtually all of his colleagues with him when he concluded that the company's survival and prosperity would be secured by combining with a larger outfit. "We all knew the atmosphere at Mitchell Hutchins would change if, as was quite possible, we started to lose money and ran into market difficulties," said Larry Ross, the company's paper and forest products analyst.

Everyone in Mitchell Hutchins was also agreed that if possible the company's name should be preserved together with its standards and reputation with clients. Discussions with two Wall Street houses, Kuhn Loeb and Loeb Rhoades (both of which took part in mergers later in the year) failed to yield promise of the sort of agreement Marron and his colleagues wanted.

"The conditions we formulated for merging with anybody were that we would continue to run the institutional equity business and that there must be no degradation of the quality of our operations. Lastly we wanted to ensure that our management had a say in whatever company we went into," recalled Michael Johnston, now president of the Mitchell Hutchins subsidiary of Paine Webber.

Whatever reservations Paine Webber may have had about these conditions, and none have been publicly apparent, they

were counterbalanced by an appreciation of the high quality people being acquired through the merger. In addition to Mitchell Hutchins' all round strength in trading, analysis and sales, Paine Webber did not hide the fact that it was attracted by the smaller company's managerial talent. At the time the merger occurred Don Marron was appointed president of Paine Webber and put in charge of its investment banking operations.

Thus the union was one of the most interesting if not one of the most typical of last year's crop. On the surface here was another elephant swallowing a goat, but the Paine Webber elephant, with its 6,000 employees and \$125m capitalisation, was to wear the Mitchell Hutchins gnat like a talisman on its forehead. It hoped to retain Mitchell Hutchins' client list of wealthy individuals and institutions and so spread its costs over a larger revenue base. In the process it hoped to alter the fact that 14 per cent of Paine Webber's clients accounted for 80 per cent of the company's revenues.

Mitchell Hutchins' modest size ensured that there were not many people whose functions overlapped but neither company would have wished the problem to be any greater. One of the most visible areas was in the two companies' research departments.

No serious charge could be laid against the quality of Paine Webber's analysts; indeed, 10 of them featured in the Institutional Investor's 1978 All America research team. This is a peculiarly American phenomenon which can at times make or break a career. Each year the team is elected by the magazine's poll of the institutions, the primary consumers of analysts' reports. Mitchell Hutchins, however, had 17 per cent of its analysts on that year's team and the company's management had secured, under the terms of the merger, responsibility for assembling the post-merger research department.

Since they were committed to "no degradation" of standards but also to expanding the breadth of the new research department, Michael Johnston affirms that "we wanted to hire as many good analysts as we could." All of the Paine Webber analysts were interviewed by a three-man Mitchell Hutchins panel during the course of a month. At the end of it all 10 were offered jobs and eight accepted.

Similar procedures were adopted for integrating the institutional sales and trading functions of the two companies. In all, 14 Paine Webber salesmen were brought under the control of Mitchell Hutchins management. By the time this task was completed, the head of Paine Webber's institutional trading department had left because the role had passed out of his hands. He was followed by the head of Paine Webber's research department who chose to move to Goldman Sachs. Other managerial casualties of the merger were the men who ran the bond and commodities trading departments.

## Reasonable

Looking back on the merger, Larry Ross feels that Paine Webber employees were, and still are, "very reasonable people." "It would have been easy for them to say 'we are running the show now and you dance to our tune.' There has been none of that."

Marron, who is still only 43 and is now the likely successor to Paine Webber's chairman, James W. Davant, thinks that the "largest element of mutual benefit achieved by the merger is that the reputation and standards of Mitchell Hutchins have not been seen by old clients to have deteriorated while they have been recognised by the individual clients of Paine Webber."

The year since the merger has been an extremely difficult trading time for all of Wall Street, not least for Paine Webber. But the more difficult the time, the greater the importance of managerial skills in a company. Within Paine Webber it is generally felt that the acquisition of Mitchell Hutchins has brought greater depth to management and a stronger flow of new ideas.

Marron himself is giving much thought to applying some of the participative concepts which worked informally at Mitchell Hutchins to the very much broader canvas of the larger organisation. He is focusing on recruitment, training, payments and communications, but his approach is still governed by a statement he made at the time of the merger.

"I want to be involved in both the theory and practice of our activities. I want to try to export everything we do, from economics to art, to that larger country called Paine Webber."

"CATCH YOU up in a minute," David Macey told his four collaborators as they left the hotel in Jakarta for their nightly darts match. "There's a telephone call for me."

Moments later he came running up through the Indonesian fog, eyes like cinders. "We've had it," he snarled. "It's all off. That was Deep Throat again on the phone. The Germans have grabbed the whole contract."

The four other British company representatives in the would-be export consortium froze in their tracks. "Sixteen months of hard work and jet lag, the vision of a multi-million Government order, killed by a whispered phone call," they thought in silence. Then one of them spoke. "If we don't be quick, the Germans will grab the dashboard," he said.

That happened nine months ago. When the companies in the informal consortium came together again last week, the mood was different. "Sure, the darts went in deep that night in Jakarta," said David Macey, export director of Philip Harris (International), one of the country's biggest specialists in science-teaching products.

"But of course," he added as the other companies' men grinned at the memory, "the next morning we found out Deep Throat had got it wrong."

"The Germans didn't get the contract. We did. Or most of it, anyway: U.S.\$10m worth of orders for equipping ten Indonesian universities. All the products for the physics and civil engineering departments, a lot of what they want for mechanical engineering, and part of it for biology — those have come to us. Hardware, software, installation, staff-training, replacements, they're all ours. And though we haven't been signed up for the chemical engineering stuff, I feel we may still have a chance."

The other four concerns benefiting from the business are the Mowlem subsidiary Engineering Laboratory Equipment, of Hemel Hempstead; Herbert Tooling, of Coventry; and the smaller companies Armfield Technical Education, of Ringwood, and TecEquipment, of Nottingham.

All would insist, however, that the venture started with Philip Harris, of Shenstone near Lichfield. Although, with a mere 63 per cent of its turnover coming from overseas, Harris is

## Why Deep Throat got his export orders twisted



"It's either Deep Throat or a wrong number with a bad cold."

relatively less committed to exporting than some of the others, it happened to have done \$1m of business with the Indonesian Government before.

"That's why, at the beginning of 1976, we got this vague whisper of a big deal coming up for the 10 universities," Mr. Macey explained.

"From Deep Throat?" I asked. "Call it market intelligence," he said.

By March 1976 Harris had learned enough about the likely shape of the impending contract to commit some real money to trying to tender. But even then, there was a serious worry. Success would depend not least on furnishing the Indonesian Government with a five-year credit facility, and to offer that, the company would need to persuade the Export Credits Guarantee Department to change its long habit of regarding educational products, not as capital goods, but as consumables.

As the negotiations with ECGD sputtered on, Harris identified the types of equipment wanted by Indonesia playing clever, and hedge his bets by allying himself also to one of the other major bidders, then we might as well not start

concerns best placed to make up the deficiencies.

"Like the others, Herbert Tooling was chosen for its expertise," I was told. "But the fact that it is owned by the National Enterprise Board was certainly no hindrance in persuading the ECGD to change its approach. What seemed to clinch the argument, though, was our finding the precedent of an earlier deal with Seoul University for supplying equipment, including 31 lathes."

In the May, after gingerly testing the chosen collaborators' interests, Harris called them together.

"We gave it to them straight," said John Haller, the Shenstone company's managing director. "We said that the Indonesian Government would not deal with a consortium. Philip Harris would have to be the customer. But the only medium through which we could have a chance of the contract, was an informal consortium based on trust. If any one of us was going to try to talk to the Ministry, and Lloyd's Bank in Singapore. But from the December we were getting on and off planes for Jakarta

The whole thing would be bound to unravel like an old sock.

"We agreed to go ahead on that basis. And though there were several times when the association was hanging by a thread, each of us has held to that agreement. It took a bit of character, because some of us had to turn down tempting approaches from overseas ready to blow our top over a mere \$10m.

"That calmed me down a bit. I saw that all we could do was, accept his assurance that he'd do what he could and that it would probably be all right on the night. Which it was."

"It's like that a lot in exporting, you know. You do your damndest, but there's always some critical stage where the matter has gone out of your hands, and you've just got to settle down and play some other game until it comes back again. You get desperate, of course, but—take that horrible night in Jakarta for instance—you always manage somehow to squeeze a joke out of the situation to make life bearable. If you can't do that, then you'd better accept that exporting isn't the life for you."

almost as though they were buses."

The trips culminated in a four-week visit by representatives of all five companies last August to negotiate with the Indonesian Ministry's top officials and technical advisers — during which they were briefly plunged into despair by Mr. Macey's misinformed informer.

Thereafter, the consortium's confidence only grew as each further stage of detailed negotiations reinforced the belief that a substantial chunk of the contract must be coming to Britain. Meanwhile, however, fate was preparing one last shock.

While the companies were already wondering how much celebratory champagne would be justified by the order, the Indonesian Government proclaimed that it simply could not accept one of the ECGD's standard clauses covering the unlikely possibility of a short fall in supplies. Mr. Macey was instantly at the ECGD's offices, in a mood to thump the table.

"What happened there was good, I suppose, for my sense of proportion," he said.

The ECGD chap took one look at me and said that he hoped I wasn't going to be impatient, because each of the two men who'd seen him before me that day had as good as taken off their jackets at him. The first had been agitated about a contract for £50m, and the second, was worried about an £80m order. And there we were, ready to blow our top over a mere \$10m.

"That calmed me down a bit. I saw that all we could do was, accept his assurance that he'd do what he could and that it would probably be all right on the night. Which it was."

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Michael Dixon

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14

LOMBARD

# Another French Revolution

BY ROBERT MAUTHNER

SELDOM HAS so much international praise been heaped in such a short time upon the manager of an economy as on M. Raymond Barre, the French Prime Minister. His efforts, since the unexpectedly comfortable victory of the centre-right coalition at the March general election, to free the French economy from its dirigiste shackles have been hailed in many Western capitals, particularly Washington and Bonn, almost as an economic revolution. Nowhere else, after all, is a rigid industrial price control system being dismantled with such speed or is such a determined attempt being made to force private industry and the nationalised sector to stand on its own feet.

Unfortunately for M. Barre, however, his policies have elicited much less admiration at home, except from the powerful Patronat—the French employers' federation, which has seen most of its demands satisfied. To the intense irritation of the Prime Minister, who has an annoying tendency to revert to the didactic manner of his previous incarnation as economics professor, a growing number of people are asking whether his medicine is actually going to work. And what is even more relevant, how long the cure is going to take.

M. Barre himself does not believe in short-term remedies and regularly castigates those who use monthly economic indicators to sound the alarm bells. His policies, he stresses repeatedly, will not start to show any real results until at least the middle of next year and, in the meantime, the country will just have to grin and bear a higher rate of inflation and higher unemployment. Patience and faith will be rewarded eventually.

## Achievements

To back up his claims to economic omniscience, the Prime Minister can point to a number of positive achievements. The trade balance, still in heavy deficit in the summer of last year, has shown regular small surpluses since the beginning of 1978.

However, for the unions, for the left-wing opposition parties and even for the Gaullists who, theoretically, are members of the ruling coalition, M. Barre is on the wrong side of the economic theory is all very well in a university lecture room, but its practical application must take account of certain social realities.

Workers have, in effect, been asked to accept a freeze in their purchasing power for three years, except for the very lowest paid categories, while industry continues to

has been granted the freedom to set its own prices. The paradox of economic liberalism which is being practised by the present Government has upset the balance of benefits between the two sides of industry it is argued.

An increasing number of commentators and politicians have even questioned the validity of M. Barre's economic analyses, at the risk of having their ears boxed by the tetchy professor. Thus, not everyone is prepared to accept an acceleration of inflation from 9 per cent last year to more than 11 per cent in 1979, while the average rate of inflation in the OECD area is on a downward trend.

## Inconsistent

The rejection by M. Barre of suggestions that some expansionary measures are required to set the economy on a higher growth path, given the forecast of a bare 3 per cent rise in GNP in 1978, have also been criticised, notably by M. Jacques Chirac, the Gaullist leader. For the Prime Minister, any relaxation would merely undermine his stabilisation policy without affecting employment. But his critics are pointing out that his attitude is both inconsistent with his support for the OECD's concerted growth strategy, which calls for some action, even on the part of so-called "conspicuous" countries like France, and does not take account of the more pessimistic short-term outlook for the French economy.

Though there has been some revival of economic activity since the beginning of the year, particularly in the consumer goods sector, the economy has not really taken off spontaneously since the general election as it was expected to do. Business surveys indicate that expectations of new slowdown in the second half of the year are widespread and capital investment consequently remains hesitant. The recovery of the French economy thus remains very much dependent on the international climate and on any decisions which might emerge from the Bonn summit.

M. Barre's biggest error is probably that he considers that he has a lot of time on his side to demonstrate to the country that his policies can produce the desired results. The growing discontent of the unions has already been reflected in a rash of recent strikes and could explode more seriously in the autumn.

Unfortunately for university professors, economists in general have to be practised in a given political and social

BY THE middle of next week the Isle of Man will lead the way in taking the rest of the British Isles back to the closing days of the Edwardian era. The first £1 coin to circulate since the gold sovereign was hastily withdrawn over the bank holiday weekend of 1914 will be in existence.

Those with long memories know that the sovereign was worth its face value so that anyone melting down the coin would have lost nothing. He would have ended with a lump of metal worth £1. For the rest of us the sovereign is either a collector's item or something associated with an era of boaters, Three Men in a Boat, crinolines, and an empire upon which the sun had already begun to set.

On the weekend of the withdrawal of the sovereign, the Treasury rushed out pound notes in their place. Later, the 10 shilling note and the large, white fivers appeared. It was not until 1928, when, by an irony of chance, Britain was temporarily back on the gold standard, that the Bank of England took over responsibility for the notes from the Treasury.

Now, the £1 coin is on its way back. There are many who believe it must come for the

whole of the UK and there is no doubt that the Treasury, the Bank of England, the Royal Mint and many overseas financial authorities, especially the U.S., where there are already moves towards a smaller dollar, will be watching what happens on the Isle of Man with great interest.

The first coin will be struck this morning at the Pobjoy Mint, a 50-man operation in Sutton, a suburb on the southern edge of London. Pobjoy has co-operated closely with the Isle of Man Government in the design and production of the coin and the result is a new coin that has properties not otherwise found in other coins circulating anywhere in Britain.

Apart from a select few at today's striking of the coin, and some collectors, the first Britons to see the round pound, as it has already been called on the island, will be holidaymakers. And what they will see will certainly surprise them. For the round pound is the same size as the Edwardian sovereign, which means it is slightly larger than a 1p piece.

The Mint and the Isle of Man Finance Board under its chairman, Mr. Percy Radcliffe, gave a lot of thought to the size and shape of the new coin. They wanted at all costs to avoid a coin which was both larger and

heavier than the present septimal 50p piece. The answer was to produce a new coinage metal and in conjunction with VDM, one of Europe's leading manufacturers in this field, Pobjoy created Virenum. This is a variant of an alloy which is in use in high-

mechanism in vending equipment would only accept the genuine article. The answer is a magnetic factor which has been built into the coin. One other point had to be taken into account—blind people. Many blind people know by the size what coin

they are handling but as a fall-back check they also have the milling on the 5p and 10p coins. To guide them the edge of the round pound alternates between a milled and plain arc. The Manx Government has been able to produce the coin because although geographically the island is part of the British Isles, it is not constitutionally a part of the crown dependency, owing allegiance to the crown. Like the Channel Isles, it can make its own laws. So it can also produce its own coins, notes and stamps. Up to now,

denomination coins in Germany and some other countries. In looks, the round pound is shiny silver with a gold sheen. And according to Mr. Derek Pobjoy, chairman of the mint, it is the nearest thing you can get to a man-made precious metal.

A large-denomination coin offers all sorts of possibilities for its illegal production and use, especially as its small size makes it similar to those put into many vending machines, from parking meters to automatons. Therefore an additional factor had to be built in so that the acceptor-rejector

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Friday July 14 1978

## Summitry in Bonn

THE SUMMIT meeting which begins this weekend in Bonn and at which the seven leading countries of the industrialised West will be represented has attracted much advance publicity and roused many advance hopes. The case for such a meeting at the highest political level is quickly put. The seven countries together account for roughly half of the world output and trade. Yet the growth of world trade has fallen dramatically in the past three years and the immediate outlook for economic growth in the countries which belong to the Organisation for Economic Co-operation and Development is far from promising.

The general need to counter unusually rapid rates of inflation has checked the growth of output and led to a widespread rise in unemployment; the United States, which until now has been most vigorous in taking domestic measures to counter these tendencies, is now itself being forced to change course by the weakness of the dollar. In such a climate, there is a real danger that individual countries will seek to solve their own problems through open or concealed measures of protection and that the growth of world trade and output will be obstructed still further.

There is general agreement about the nature of the problem but much less agreement about the best means of tackling it. Since the issues involved are intensely political, however, it seems essential that some rough consensus of opinion should be reached at the highest political level.

## EEC study

The summit meeting itself has, in fact, been preceded by two other rounds of international economic discussion, the aims and results of which have been promising enough to keep optimism alive. At Bremen a week ago the heads of government of the nine members of the European Community decided to press ahead with a study of means by which their individual currency systems could be more closely inte-

grated. The aim of such a move would be to produce a greater co-ordination of economic policy inside the Community and at the same time to create a currency bloc whose very existence would help to reduce currency speculation and its harmful effects on world trade.

The least enthusiastic supporter of this development was the UK Government, which not only has to reckon with the views of Labour's Left about economic sovereignty in general and the EEC in particular but must take account of the fact that this country's industrial structure and proneness to inflation would make its participation in such a currency bloc particularly difficult. But the ambitious nature of the proposal and the seriousness of its main supporters is demonstrated by the fact that maintenance of a single currency bloc would be helped under it by pooling a sizeable part of the official exchange reserves of members.

## Modest hopes

It is clearly important that the Bonn summit should not be an obvious failure: the trend towards protection and recession might then become more pronounced. But it is equally important that no extravagant hopes of success should be planned on it. In some areas, the heads of government are themselves severely restricted by political factors.

In other areas, where political factors are not so intractable, the translation of general agreement into firm proposals will take much time and argument—as is also the case, indeed, with the Bremen and Geneva Agreements. The world economic situation is not likely to be changed dramatically at Bonn; it may well turn out in the long run that the proposals for closer monetary union in the European Community are more important. But even an agreement in principle between the leading industrialised countries to continue working together for the common good could have a value and produce a momentum of its own.

## Agreement on Namibia

AFTER FIFTEEN months of arduous and often delicate negotiations, the five Western members of the UN Security Council have agreed what at one time looked virtually impossible: they have got the agreement of the warring parties to the Namibian dispute to agree to a complex package of proposals for the peaceful transfer of that territory to independence under a freely elected government. In April 1977, when the U.S., Britain, France, West Germany and Canada began their initiative, Pretoria was adamant that it would grant independence to Namibia only under an apartheid based and South African sponsored government. The South West Africa People's Organisation (SWAPO), which is the main nationalist movement and the only one internationally recognised, was equally adamant that it would accept no such thing.

## Lessen tensions

Even if Rhodesia, with its acute problems of nationalist divisions, defies solution for the time being, a Namibian settlement certainly ought to lessen tensions in southern Africa. It should remove one area of potential large scale confrontation (which could incidentally ease international pressure on South Africa itself) and it might help to lessen the Soviet Cuban presence in Africa by relieving Angola of the continuing need to patrol its southern border. This in turn could affect U.S.-Cuban (and perhaps U.S.-Soviet) relations, which have been apparently supported by the Western effort on Namibia, to withdraw some of its troops from Angola. The prizes there are great, but the question remains as to whether the Western proposals or something very near them, are actually being implemented. The proposals—which were agreed by SWAPO only on Wednesday—provide for a UN supervised transition to independence following free elections to a Constituent Assembly. This body will draw up an independent constitution, and it seems to be envisaged that the Assembly itself, or members from it, would form the independent government.

The obstacles to the implementation of the proposals are of two kinds. First, it is clear that although the parties to the dispute have broadly agreed to them, the proposals still have to be debated in and accepted by the United Nations Security Council, the only body competent to authorise what could be a very large military and civilian force.

## Enormous problems

Soviet hostility to peacekeeping forces is well known, and the threat of a Soviet veto must remain, even though the Western powers believe that such action is unlikely in view of the widespread African support for the proposals. A problem of a different kind is that the SWAPO, which has already said that it will not accept independence unless the port of Walvis Bay is part of Namibia, may try, with Soviet and other support, to change the nature of the proposals during the Security Council debates.

If the package gets Security Council approval, however, there are still the enormous problems of the transition, from the actual organisation of a UN force, and the phased withdrawal of South African troops (down from some 20,000 to 1,500 within three months and total withdrawal within about seven months), to the ceasefire and the problems of organising an electoral campaign among the real bitterness that has built up over the years between SWAPO and the South African authorities, in particular. It seems certain that the present timetable of independence by December this year cannot be met under the Western plan; and in the event of difficulties, South Africa retains its option of an internal settlement, and of a continuation of the guerrilla war.

But whatever the difficulties ahead, there is no doubt that the five Western powers have made something of a breakthrough in international diplomacy by mediating between apparently irreconcilable parties. The UN is demonstrably too large and unwieldy to perform a similar function, and it may well be that the five power formula could be used with advantage in trying to tackle other deadlocked issues, starting perhaps with Cyprus.

## Unitary taxation threat to the multinationals

BY DAVID FREUD

## THE U.S. LAW TO ENSURE ARM'S LENGTH TRANSFER PRICING

The relevant statutory provision is Section 482 of the Internal Revenue Code. The text runs:

"In any case of two or more organisations, trades, or businesses (whether or not incorporated, whether or not organised in the U.S., and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the Secretary may distribute, apportion, or allocate gross income, deductions, credits, or allowances between or among such organisations, trades or businesses, if he determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of such organisations, trades or businesses."

Regulations were issued in 1968 to define the terms in the section and to give examples of specific calculations. In addition a considerable body of case law has grown up.

THE dominance of multinationals in international trade is threatened by a new way of taxing their profits. The new method—called the unitary method—is sweeping individual states in the U.S. If it spread worldwide the multinationals could conceivably end up paying more tax than they earn in profits.

Three U.S. states—California, Alaska and Oregon—have said they will apply unitary taxation to foreign multinationals and at least another 20 states are thinking of doing so. The development is being watched closely in other countries, especially the developing ones.

In most circumstances the unitary method is arbitrary. It taxes a multinational on the basis of its worldwide profit rather than the income made in the individual country or state. The taxing authority decides what proportion of a multinational group's operations falls within its area and taxes that proportion of the company's worldwide profits regardless of whether or not a profit was made within its jurisdiction.

The attraction of the method comes from the ease with which it can be applied. The California authority, for instance, reaches the relevant proportion by averaging the three ratios of local turnover, assets and labour costs to the worldwide equivalents. All this information can usually be derived from published accounts.

An attempt to use the new Anglo-U.S. Double Taxation Treaty to curb the state's plans to apply unitary taxation to foreign companies seems to have failed.

The U.S. Senate has thrown out the relevant clause and the UK Government looks increasingly likely to accept the deletion. The British feel they have extracted valuable concessions from the Americans in the treaty and are unwilling to risk losing them by delaying on behalf of multinationals around the world.

In effect the British believe they have done their best for the companies and it is now up to them to defend their own interests through direct pressure on the various U.S. states. In fact it looks as if the attempted inclusion of the relevant clause in the treaty—Clause 9(4)—was not the result of British pressure in the first place. Rather the clause was welcomed by the U.S. Treasury as a device to stop the spread of unitary taxation in the states.

The U.S. Treasury position would have been influenced by pressure from the big U.S. companies which, dominating the multinational scene, stand to lose most if the example set by the states is copied elsewhere.

The growing popularity of the unitary concept stems from dissatisfaction with the present way of taxing multinationals. Establishing the real level of profits made within a specific jurisdiction is a complex operation. And it leaves many tax bodies with the lingering feeling—justified or not—that multinationals are getting away with more than they should.

## Climate of opinion

To counter such instincts, tax administrations round the world have developed a set of rules controlling transfer prices. While the existence of multinationals was recognised in law early in the century, it is only in the last 10 years or so that controls on their pricing behaviour developed teeth.

There are two reasons for the relatively recent toughening of attitudes to taxing multinationals. First, the general climate of opinion has swung against giant corporations in many countries. Secondly, the cost of government has expanded hugely in all countries, leading to determined attempts to increase tax bases and plug tax leakage.

Tax administrations apply their control by insisting that intra-company dealings across national boundaries use "arm's length" prices. This formula-

tion means that a company must price its products to a connected company abroad as if it were an entirely independent organisation.

If the prices are not set on the arm's length principle, most tax administrations have powers to assess companies as if they had been. This approach is adopted in the OECD draft double taxation treaty, in all of the UK's 70 or so treaties as well as legislation around the world.

In practice, however, determining the arm's length price is an enormously complicated task. The only cut and dried way is by comparison with the price paid for the same product by an independent company—the so-called "comparable uncontrolled price" method.

Unfortunately for tax administrators, such a direct comparison is available in only a tiny minority of cases. Because of this they have developed a number of fall-back methods. These approaches have been laid down very precisely in the U.S., which leads the world in tackling the problem. Explicitly or implicitly, however, all other Western countries apply broadly similar criteria.

When the U.S. Internal Revenue Service (IRS) has decided that the "comparable uncontrolled price" method does not apply in a particular instance, it next tries the "resale price" method. This method works backwards from

the reseller's price via an "appropriate mark-up percentage" to arrive at what would have been the arm's length price on the preceding transaction.

The drawback to this approach is that it is only applicable where the reseller does not do very much to the goods. The more work he performs on the product the greater the room for argument over the "appropriate mark-up percentage."

A third approach is through the "cost-plus" method, which simply takes the cost of production and adds a margin of profit to arrive at the arm's length price. Variations of this technique used by the IRS are to price the component parts of a product or to investigate what the return on a particular investment should have been.

In the real business environment, however, such assumptions about the importance of margins on pricing policy are generally inappropriate. The most important factor is what the market will bear. Most tax administrations accept that prices for products can be low—even below cost—in some cases.

The UK Inland Revenue, for example, will allow a below cost transfer price where the company is trying to break into the market, trying to sell a complete range or selling an item related to its main line of business as a loss-leader.

In effect establishing the true

railroads—and in fact this was probably as fair a way as any of doing this. The level of distortion was low when all the states used the same formula within a single economic unit.

But the approach becomes arbitrary when spread across countries with widely different economic environments. The California formula, for instance—based on labour costs, assets and turnover—could mean an oil company paying high taxes on oil produced from expensive, poor productivity wells, and low taxes on low cost, high productivity wells.

That anomaly would exist even if all countries adopted the same formula for assessing unitary tax and identical accounting standards. In practice, however, each country would use the formula most favourable to itself. California—a high-wage area—has inserted a labour content in the formula. Low wage countries would probably not.

A foretaste of what would happen is provided by Alaska. The state is very keen on unitary taxation. Mr. Sterling Gallagher, its commissioner for the department of revenue, expects the system to spread across the U.S.

Yet Alaska has just decided that the production and transport of oil—and oil only—should be taxed on the profit arising within the state. The main foreign company affected by this measure is British Petroleum and the effect of the decision will be to make the local tax on BP much greater than it would have been under a unitary system.

## Balance of advantage

This picking and choosing where the balance of advantage lies when applying unitary taxation would become the main threat to multinationals. It would effectively create widespread double taxation and could lead to many multinationals facing tax bills bigger than their gross profits.

Tax administrations in the Western world are firmly attached to arm's length pricing and would not put up determined opposition to the spread of unitary taxation. But the example provided by the U.S. States could prove stronger among the less developed countries.

If unitary taxation does become widespread, current patterns of international trade, based as they are on the multinationals, would be radically undermined. This could represent another damper on the growth of world trade, already way for the U.S. states in offering as the forces of protectionism strengthen.

## MEN AND MATTERS

## Sweet airs on Royal Exchange

City workers in need of a little musical uplift might do worse than telephone the Guardian Royal Exchange Assurance: if the extension they ask for happens to be busy, they will be treated to a Mozart piano concerto. GRE is the first company in Britain to have installed a "music while you wait" system on its switchboard. Other firms are now racing to follow suit—with Allied Breweries in the lead. The vice-chairman of GRE is Keith Showering; he was so taken with the innovation that he ordered the equipment for Allied, where he is chairman.

Of course, music for "stacked" callers has been a public relations device used by major companies on the Continent for several years. But to install it in Britain without Post Office permission makes you liable to a £400 fine or six months in jail. The GRE communications consultant, Charles Macauley, told me yesterday that although the Post Office telecommunications head-

quarters took some time to accept the principle of "music while you wait," they proved accommodating in the end. The system works through a computer and the waiting caller is automatically switched to whichever composer is on the current disc. Despite his name, Macauley has an accent rather reminiscent of Maurice Chevalier's. He explains that he was born and brought up in France. But it was in Brussels, not Paris, that he first heard telephone music and decided to introduce it here.

He says the reaction so far has been highly favourable. "There has only been one complaint, from an insurance broker who said Mozart sounded too cheerful."

## Cash flow slows

The Socialist International's meeting in Vienna broke up at the start of the week with its traditional camaraderie intact—or almost so. But for the Israeli Labour Party there had been some harsh news. Shimon Peres, leader of the party, was told that if it did not catch up on its subscriptions it would forfeit its membership. "It is not a big problem, only a matter of an annual £3,000 or so, and it will be settled in a week or two," Peres assured us.

If this does not happen, however, the matter will "be noticed" at the International's bureau meeting in Paris in September, said Berni Carlsson, secretary general, at its London head office.

The Israeli subscriptions have not been paid since 1975, British officials tell me. The once ubiquitous Sir Eric Miller was then honorary treasurer of the International, and it is doubtful whether Shimon Peres would have been called to account so openly if Miller—a strong supporter of Israel—had still been in charge of the International's finances.

An aftermath of Miller's tenure of office is revealed by a writ issued recently by Peachey Property, a subsidiary company, against his widow and the managers of the Churchill Hotel. The writ lists various political services that Miller allegedly provided through the hotel. Apart from entertaining the Labour Party and supporting various causes dear to the heart of Sir Harold Wilson, Miller allegedly picked up a bill for £7,292 for banquetting the Socialist International; other bills were for accommodation of prominent Israelis such as Abba Eban, the former foreign minister. The Churchill was the site of the Socialist International's emergency conference after the Yom Kippur war. Next week the Churchill is to be the site of the conference between the foreign ministers of Egypt, Israel and the United States.

## Fresh news

Yesterday some fairly bleak observations appeared in this column about supermarket bread, contrasting it unfavourably with the baguette to be seen in any Parisian bakery. Even before most readers had digested the topic, a messenger arrived at Bracken House from one of our more enterprising supermarkets groups. He bore "une véritable baguette" made with French flour, we were assured—and a box of doughnuts and cream cakes to sweeten the message. Touché. Diamond merchants should now watch this space for a few observations about them.

## Growing pains

We all know that it is no longer done to talk of "underdeveloped countries." It is still politically fashionable to refer to the Third World, although that term defies economic

definition. So if you are not in the OECD you must be a less developed country (LDC) or a developing one (or a communist country, which falls outside the scope of this discussion).

But where can one place Singapore, or Kuwait? If per capita income is a yardstick of development the former is now clocking up \$2,700—and rising fast—while Kuwait boasts the world's highest income per head. Being classified as an LDC can have some advantages if you are looking for a soft loan from the International Monetary Fund, but the problems of establishing what "developing" means still controversy well beyond the economic arena. For instance, there will be an international symposium next January in Singapore on Science and Technology for Development. The steering committee has been meeting near Vienna and the vexed topic was raised by Dr. Maurice Goldsmith, from Britain. After saying that Singapore's technological needs are entirely different from those of the Central African Empire, Goldsmith asked the gathering for a definition of "a developing country." None could be agreed.

I telephoned the Singapore High Commission. "Are you an LDC?" I asked. "The IMF says we are developing," was the firm response.

## Shrewd appraisal

From a Devonshire newspaper: "After the man had made an inquiry in the Housing Department he shouted abuse at the counter staff, picked up a chair and broke a window, and then ran into the street. By the time a clerk had got outside the man had disappeared."

A Council spokesman said he thought the man was not satisfied with the answer to his inquiry.

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# FINANCIAL TIMES SURVEY

Friday July 14 1978

## Stainless Steel at Shepcote

Despite its many problems the British Steel Corporation is confident that its decision to invest in the largest stainless steel complex ever built in Europe will prove correct. The Shepcote plants at Sheffield and a smaller centre in South Wales have cost £130m.

### Bravery should bring results

By Roy Hodson

AS THE world steel recession enters its fourth year and the big international companies already Europe's biggest steel acknowledge there is no discernable prospect of an upturn, British Steel is commissioning the largest stainless steel complex ever built in Europe. On the face of it, the £130m investment (which was priced at £80m when the go-ahead was given in 1974) could be an unwanted baby for a nationalised industry which lost £443m last year and is expecting losses of the same order this year. Certainly it is a burden on the BSC Sheffield Division whose manager John Pennington says: "We have got to get the new stainless development into full operation and profitability because at present it is a major drain on the division." The division lost £30m in the last financial year — attributable to a large degree to servicing the new stainless investment capital.

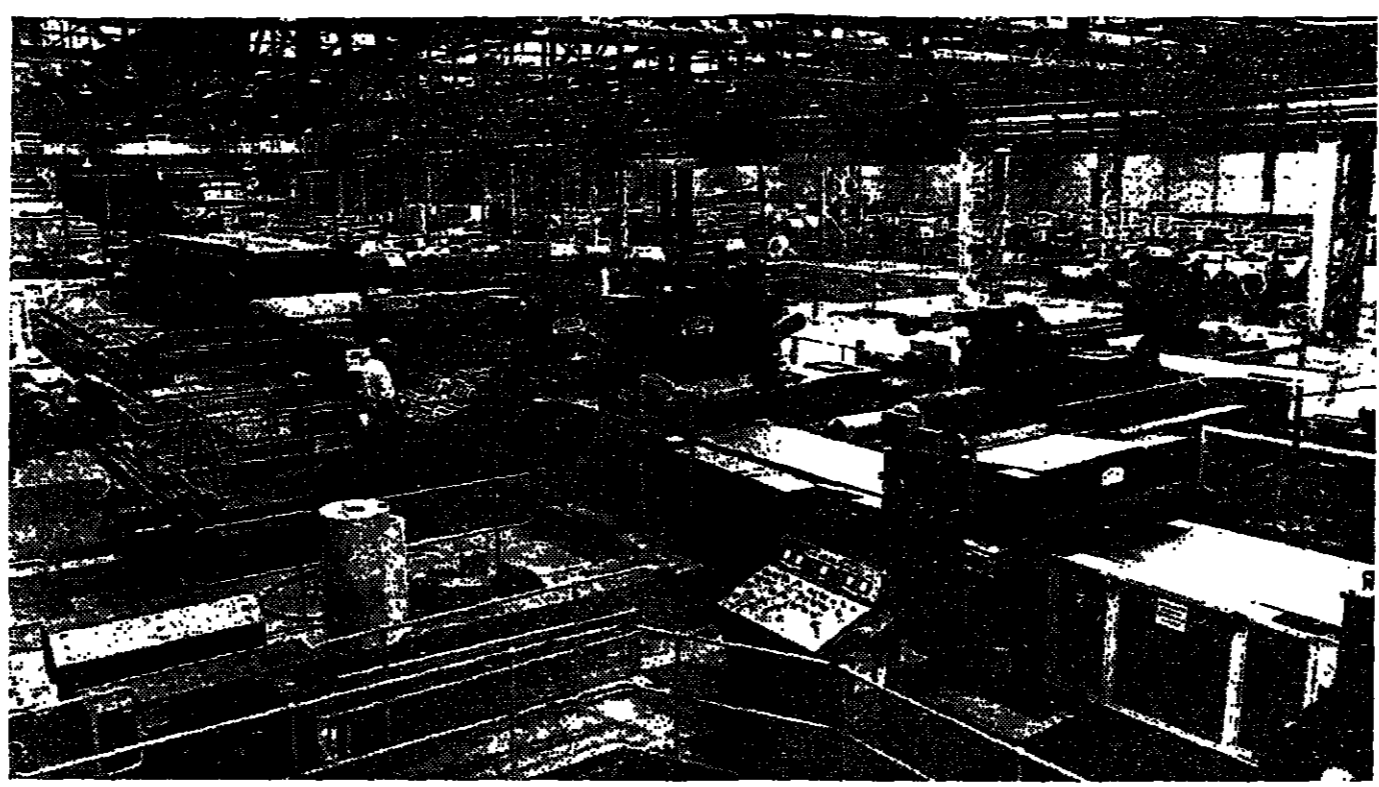
Yet, paradoxically, British Steel has probably done exactly the right thing by pressing rolled plate production facilities ahead with its big investment

in stainless steelmaking. For stainless is one of the few growth areas that the marketing men can look towards with any degree of certainty. The growing sophistication of industrial equipment and consumer goods means that demand for stainless will grow faster than the general growth of steel demand in all industrialised societies. Indeed, the growth in stainless demand in Britain is virtually certain to be ahead of that of the rest of the world during the next few years because Britain's usage of the metal has lagged over the last decade.

A second reason why boldness is likely to pay in the case of British Steel's stainless investment is that the Corporation — big international companies already Europe's biggest steel company — is stealing a march on the competition which they will find hard to counter. In the present depressed climate of steelmaking, the climate facing huge losses no other European group is likely to try to match or outpace the new BSC plant.

In particular the Swedish steelmakers who have long regarded a big share of the British stainless steel market as their rightful possession acknowledge that they have not the resources to build new tonnage stainless steel production to be competitive with British Steel.

The total investment of £130m covers the establishment of two completely modernised integrated production complexes at Shepcote Lane, Sheffield, and Panteg, South Wales. Each centre is fully equipped for electric steelmaking, ingot and continuous slab casting, and cold rolling and bright annealing. The Sheffield hot-rolled plate production facilities have been doubled in capacity.



Cutting the products to length at the Shepcote Lane Works.

city. "Frankly we are building for the long-term with this total investment and we cannot be influenced or deterred by short-term market conditions," said Derek Bray, director of British Steel Stainless—a unit which is operating with a degree of independence as a profit centre within the Corporation.

The Shepcote plants at Sheffield are based upon new stainless steel melting capacity of 350,000 liquid tonnes a year while Panteg, South Wales, contributes a further 50,000 tonnes

liquid capacity. British Steel has, in fact, doubled its tonnage capability to make stainless with one investment spread over just four years.

Of the order of one-tenth of British Steel's total turnover will henceforth be in stainless steel.

The doubling of capacity is setting a hard road to follow for Gordon Hill, the stainless commercial manager and his newly augmented sales staff. Yet there is great confidence at the

Sheffield sales offices that new business can be won at home and abroad to absorb the extra output.

One lucky break for British Steel has been the Parliamentary decision in favour of the Windscale project by British Nuclear Fuels. British Steel expects to supply up to 5,000 tonnes a year. Had the new Sheffield tonnage stainless facilities not been ready much of that business would necessarily have gone to Sweden, France, and other stainless steel makers.

The confidence of the stainless steel salesmen that they can make the new plant work for its living is based upon the new

positions Britain is about to occupy in the world stainless steel leagues. Henceforth British Steel will be one of the senior producers of stainless hot rolled coil. The U.S., Japan, West Germany, and Sweden will still be above Britain in actual tonnages being made. So in that market British Steel is restoring itself to a strong position rather than going out on a limb with additional capacity.

### Prospects

In the other big stainless steel trade — cold rolled sheet and coil — Britain will still only be sixth in the table of world producers. France, Italy, West Germany, Japan and the U.S. all will continue to have bigger capacities.

One of the brightest prospects is the opportunity now open to British Steel to build up home sales in two ways. Imports will be displaced by the provision of adequate supplies of home-produced stainless at competitive prices and good quality. Also the market itself can be expanded by simply making more home-produced stainless available. Britain still uses much less stainless steel per head of population than almost any other advanced nation.

To Sheffield—where much of the pioneer work on stainless steel was done in the early years of this century—the Shepcote investment with its new electric furnaces and the complicated installation of mills and finishing plants represents an important reaffirmation of the city as a world centre of special steels.

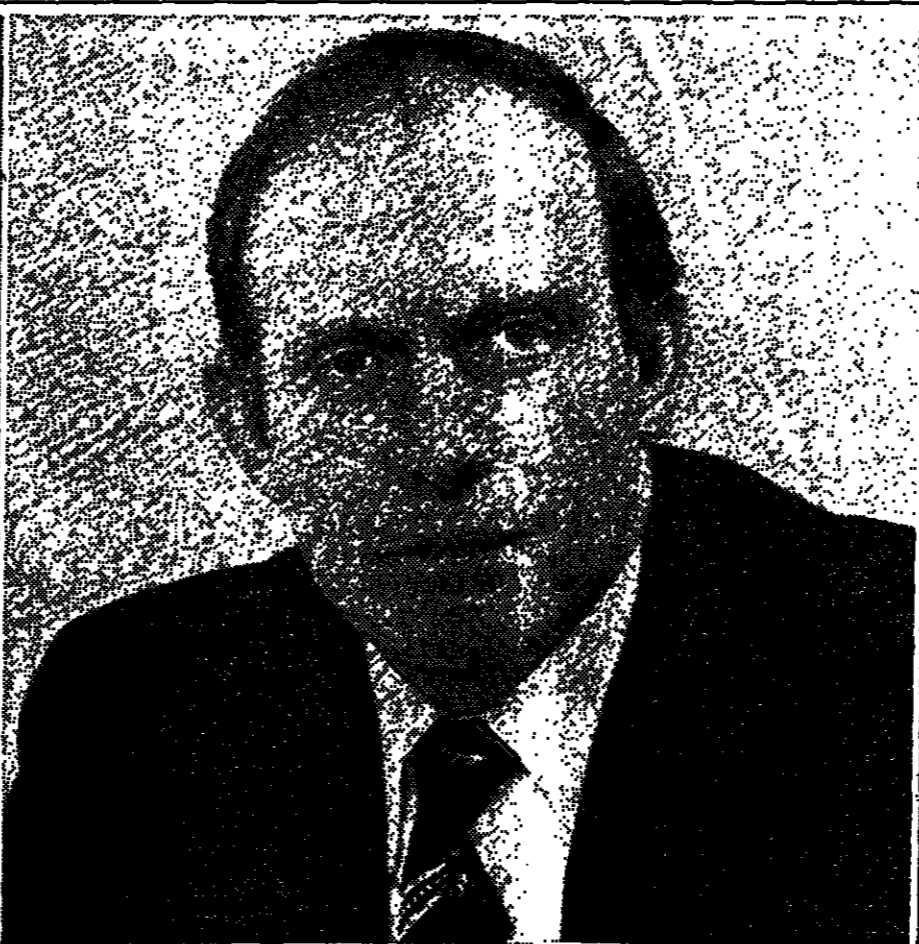
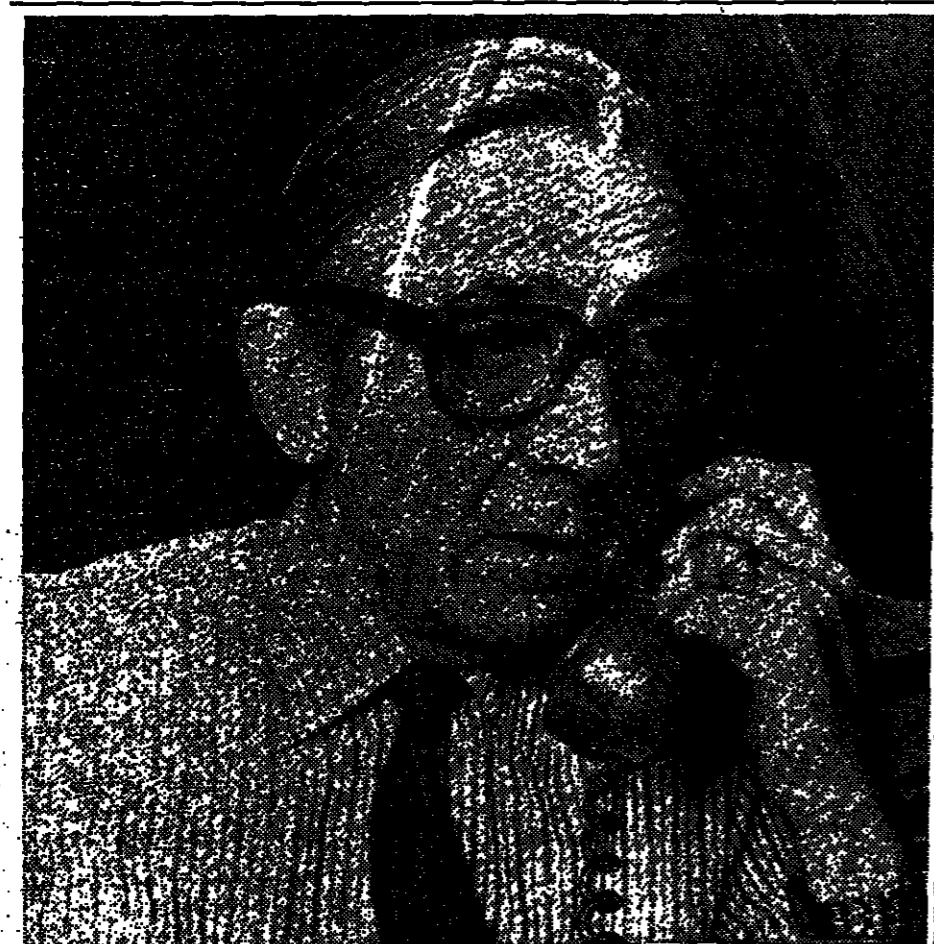
The site itself—actually two sites divided by marshalling

yards—is within two miles of the city centre. Sheffield will not mind that, however, for the equipment for extracting and cleaning fumes at every stage of the process is some of the most comprehensive ever installed by BSC.

The cleanliness of the works is remarkable. Heavy emphasis has been placed upon it, partly for environmental reasons and partly because the delicate nature of the product itself demands production without contamination. A trace of dirt can spoil the surface of a stainless steel sheet which has already passed through more than 10 different processes.

So the works is laid out in a way that gives a glimpse to other British Steel workers of the probable shape of things to come in the steel industry. Lawns are being encouraged outside the melting shop and trees have been planted.

British Steel is currently losing on average £25 a tonne on all its products and finds itself about half-way down the table of loss-making big international steel businesses. Clearly the new stainless complex will continue to be a drain in the early years as the heavy capital investment has to be serviced while sales and production are still being worked-up. But 1980-81, the year which Sir Charles Villiers, the chairman of British Steel, has set his managers as their target for returning to at least a "break-even situation," is also the year in which BSC Stainless is hoping to be achieving full production. From then on the stainless plants should be in a position to make an important contribution to BSC turnover and—more important—to BSC profits.



## Why we welcome Shepcote 2

Shepcote 2 is a splendid investment, and it creates secure job opportunities in an area which is renowned for its high-value special steels. Management, workers and their unions at BSC stainless all know they now have the facilities to build up the productivity, quality and service — and the competitiveness — customers demand, given that BSC stainless is determined to deliver the goods. It is now in everybody's interest for the key decision makers in Britain to exploit this investment by specifying British Stainless Steel wherever possible.

*Lesel Munn*  
GENERAL SECRETARY,  
TRADES UNION CONGRESS

At £130,000,000 Shepcote 2 amounts to a huge investment, even from a national standpoint. The installation of this brand new, world-competitive plant completes the reconstruction of Britain's Stainless Steel Industry. Most important of all, it provides BSC stainless with the foundation for its bold strategy to make Britain an increasingly large net exporter of stainless steel.

*Ern Varley*  
SECRETARY OF STATE FOR INDUSTRY

The building of this massive new stainless steel plant, Shepcote 2, will revitalise a key sector of the British economy. It should provide a model for similar levels of investment in other sectors. Industrialists and other users of stainless steel in the UK should consider the new factors Shepcote 2 brings to bear on buying and technical decisions about materials — obviously there are now some major new reasons why indigenous supplies of stainless steel should be able to provide a much larger share of British requirements.

*Tim Petherick*  
DIRECTOR-GENERAL, CONFEDERATION  
OF BRITISH INDUSTRY



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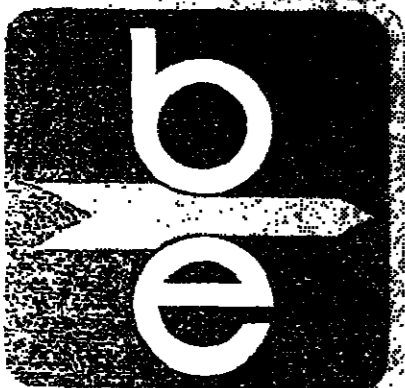


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## STAINLESS STEEL AT SHEPCOTE II

# Opportunities for the marketing men

BRITISH STEEL has been again at a much faster rate than consumption of cheaper forms of steel.

In European markets consumption of both hot-rolled and cold-rolled stainless has held up at between 80 per cent and 100 per cent of pre-1974 levels during the worst periods of the trading slump. There has been little new business about. But the BSC sales staff take comfort from the fact that at least demand for stainless has been maintained. Now they expect it to get back on to its traditional growth curve of some 5 per cent additional demand each year.

stainless will soon be rising again at a much faster rate than consumption of cheaper forms of steel.

The only exception to that is likely to be specific exports into competitors' markets. The object then will be to remind some foreign producers that if a free-for-all sales campaign is conducted in British Steel's home market the Corporation now has the production strength to hit back in the foreign producers' territories.

### Capacity

When planning for the Shepcote development started in the early 1970s British Steel accepted that a big increment in stainless steel capacity would be needed to put the corporation into a world-competitive position once again. For years BSC had been losing out to the other stainless producers of America, Japan, and Europe.

Gordon Hill, BSC Stainless commercial manager, believes too that the world economic recession, following upon the 1974 oil crisis, which has caused such general depression in steel trading will actually help the growth of stainless steel usage in the long term. "The old throwaway world has gone as a result of the years of depression," he said. "Now people want to buy things that will last. We are seeing this particularly in consumer durables where people are now actually looking for stainless steel in their washing machines, washing-up machines, and other appliances. Another example is, of course, the stainless steel car exhaust — a market in which British Steel is now doing well."

Even throughout the current steel trading crisis stainless steel has held its market well worldwide. And there is every prospect that consumption of

As far as British Steel is concerned the U.S. is still a virgin market for cold rolled stainless and the BSC Stainless sales force has hopes of winning a lot of new business there.

In the home market the new plants set the scene for a fight by British Steel to win back what it feels is its rightful share. Now that steel of the quantity and quality needed will be freely available from the new plants the struggle can begin. Already BSC Stainless has nearly 70 per cent of the home market for hot-rolled stainless coil. The objective will be to keep that market share, allowing room for some trading flexibility, and for second sourcing by companies who value the independence given by having an extra supply source.

The extra capacity will have to be sold by British Steel both at home and abroad. BSC Stainless has been exporting 45 per cent of output. With a doubling of capacity to some 200,000 tonnes of finished stainless steel a year the percentage of steel exported will also have to rise.

But exports are not the whole answer. BSC Stainless has no wish simply to raise its foreign sales at the expense

of profits. The sales drive will be concentrating upon those exports which can show as much — or nearly as much — profit as home sales.

The only exception to that is likely to be specific exports into competitors' markets. The object then will be to remind some foreign producers that if a free-for-all sales campaign is conducted in British Steel's home market the Corporation now has the production strength to hit back in the foreign producers' territories.

To spearhead the export drive BSC Stainless is opening wholly-owned sales offices and warehouses or selling through Corporation-owned sales organisations in such key markets as America, Canada, France, Germany and Sweden.

Prices are moving in favour of stainless steel at the present time in areas where it is in competition with other materials. M. J. Whitecross, BSC Stainless marketing manager, says: "Pierce International competition has driven stainless steel prices down to their lowest

level, in real terms, for some years. That puts BSC Stainless into a very competitive position against other materials, notably aluminium and other non-ferrous metals, on the basis of pure cost-effectiveness."

BSC Stainless will also be pushing into the home market with very thin sheet, which it has been reluctant to make in the past, and with special quality forms of stainless.

### Target

Derek Bray, Director of BSC Stainless, and Gordon Hill are setting themselves a stiff target of winning 70 per cent of the home market for cold rolled stainless steel sheet with the backing of the new Shepcote and Panteg facilities. Private sector British steel producers also hold about 8 per cent of the market. So the strategy is now clear. Only 20 per cent of the entire British stainless steel market is to be left open to foreign steelmakers if British Steel has its way.

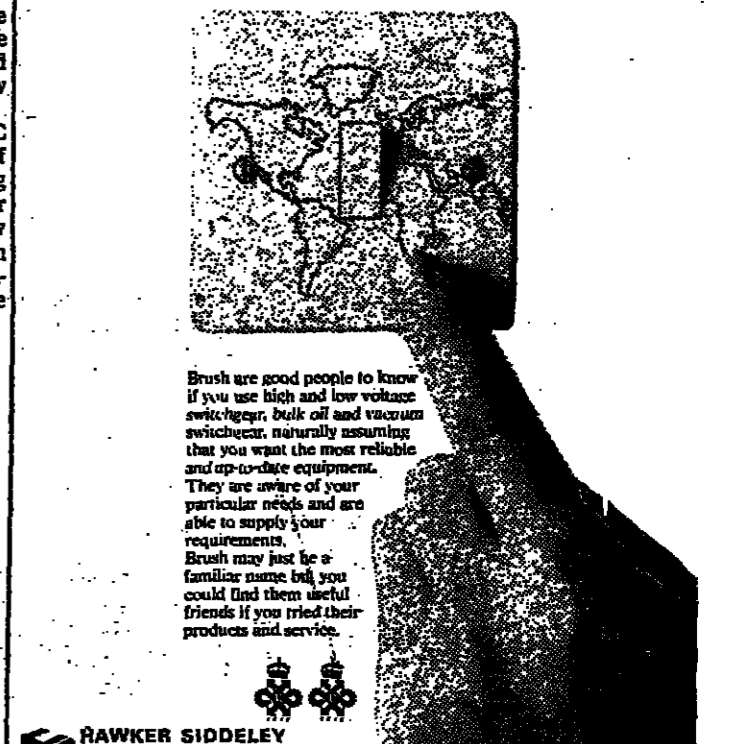
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The future for stainless depends upon the housewife settling for domestic items which have a longer working life — and being prepared to pay a premium for them — and upon industry increasingly turning to stainless steel to combat corrosion. The advantages of stainless in motor car construction are already being appreciated by the motorist to such an extent that manufacturers are switching to use of the metal for many key car parts. Stainless is also being chosen increasingly for industrial plant construction. Indeed, there are many applications in fields such as chemicals and nuclear engineering where no other metal is acceptable.

BSC Stainless estimates that British industry is already spending some £3.5bn a year to repair the ravages of corrosion. It foresees a growing market for stainless steel as industry increasingly accepts that such a waste is avoidable by the use of stainless steel and other non-corrosive materials.

Roy Hodson

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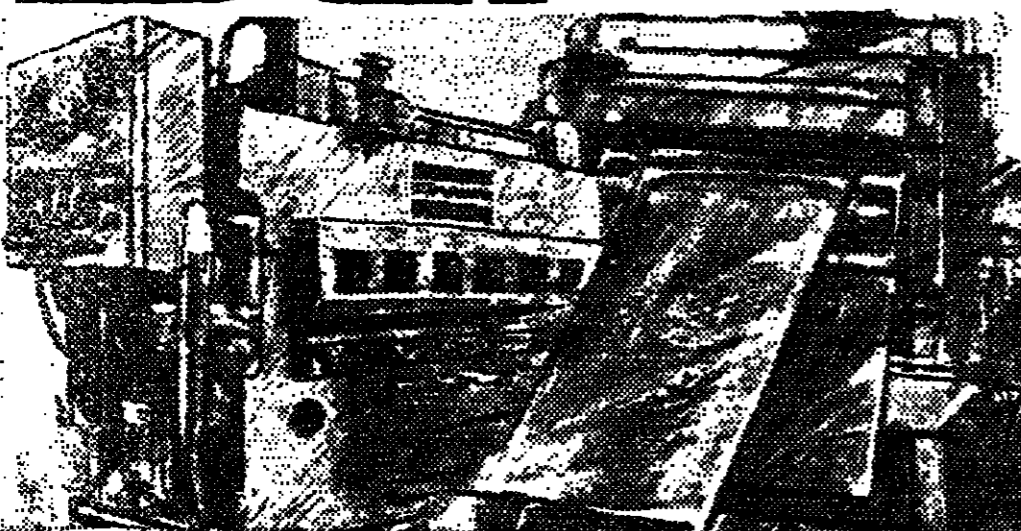
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## STAINLESS STEEL AT SHEPCOTE III

## Industry gets the message

IN THE eyes of the public, stainless steel is inextricably linked with beauty and decorative craftsmanship. Twenty years of design, which inevitably brings out the cool attractive surface of the steel, have shaped and fostered this image.

It is perhaps ironic then to be assured by British Steel Corporation sales staff that the amount of stainless steel sold purely on aesthetic grounds is small indeed. Almost insignificant even when viewed in the overall context of sales to industry. What matters here are the unique corrosion resistant qualities of the metal in its various grades and forms.

In 1971, the Department of Industry published a vital document, the Hoar Report, which examined the problem of corrosion in Britain. It inflation since then is taken into account, the reports finding suggests that corrosion now costs Britain at least £3,500m a year. A staggering total, and yet one that could be reduced substantially through greater use of stainless steel.

## Sheets

Industry generally is certainly getting the message, and quickly in some sectors. Over 90,000 tonnes of stainless steel in the form of cold rolled sheets and hot rolled plates is now used in Britain each year to solve corrosion and processing problems. In addition, a further 7,000 tonnes of cold rolled strip is subsequently rolled into tube, and seam welded, to service the growing market for process and heat exchanger pipework.

For stainless steel has more to offer than just corrosion resistance. These extra factors are, perhaps, the clinchers, for no other alternative can offer them all, in one material.

High strength is one obvious factor, particularly when placed alongside the astonishing corrosion resistance. But this strength does not mean that the metal cannot be formed easily, concept hinged on first-cost work and welding techniques. On the contrary, and straight-forward welding techniques financially incorrect. Much

ensure that fabrication does not present problems.

Process industries were the first to recognise the value of this combination of attributes for their special needs in situations where elevated temperatures and corrosive environments are often encountered. So in such process applications, more alternatives are much more expensive, and often a great deal more difficult to weld, the question now is invariably which grade of stainless steel to use.

Today, stainless steel is not simply a metal for the hot spots, and the problem areas. Its use extends much further down the scale. At over £1,000 per tonne for cold rolled sheet, although less for hot rolled material, stainless steel is expensive when studied in the context of the common carbon and low alloy structural steels used throughout industry. But when maintenance requirements are introduced into the costing, and the high cost of corrosion protection correctly assessed, stainless steels can show considerable savings over other, initially cheaper, materials over the full life of a project.

Take, as a modest example, a mild steel vessel which, in this form, represents an investment of £1,000. Over a 20 year life span, the choice of this material cannot be financially justified unless less than £133 per year is spent on painting, repair of corroded areas and other maintenance. At any figure higher than this, it would have been better to purchase a maintenance-free stainless steel vessel in the first place at twice the cost; assuming a uniform cost of capital of 12 per cent.

The message is getting through. Proof of this comes in the interest shown in the seminars organised by the Department of the Environment under the auspices of the Environment and the Corrosion Eating Your Profits? Increasingly, the so-called work and welding techniques, theories is being proved to be forward welding techniques financially incorrect. Much

greater attention has to be paid to maintenance requirements throughout the life of a project. Much greater attention has now to be paid to corrosion for purposes other than simple cost. Because of this, it seems certain that industrial markets for stainless steel will grow.

One insidious form of corrosive attack, which affects most materials where heat, stress and an aggressive environment are combined—a not unlikely trio in many industries today—is stress corrosion cracking. Unlike the more general forms of corrosion, which usually involve the removal of surface material over relatively long periods, stress corrosion cracking can strike quickly, often in a matter of weeks, given the necessary conditions. It can leave plant in apparently perfect condition—except for ominous and dangerous localised cracks in what could be key areas affected by stress.

## Competition

BSC Stainless is concentrating on the development of a new hot rolled ferritic plate, below 12mm thick at the outset, to combat this form of attack. The development is already proving successful, having already been chosen, in the teeth of competition from traditional materials like cast iron and modern reinforced plastic structures, despite their original cost advantages.

But the stainless steel market will also grow because of the stimulus of low-cost alloys which more exactly match the demands of less critical applications at costs which are even more attractive when the maintenance-free life is taken into account.

Hyform 409, the alloy originally developed for the automobile exhaust system market—and which proved outstandingly successful there—is finding numerous other applications. Its relatively low cost, and easy acceptance of standard pressure work and welding techniques, make it a particularly equitable material for a whole range of

industries, for instance, in radiator thermostats for cars, which traditionally were made in brass since the dawn of motoring. Already, one manufacturer has switched to stainless, and a second is on the verge of a final decision about the use of Hyform 409.

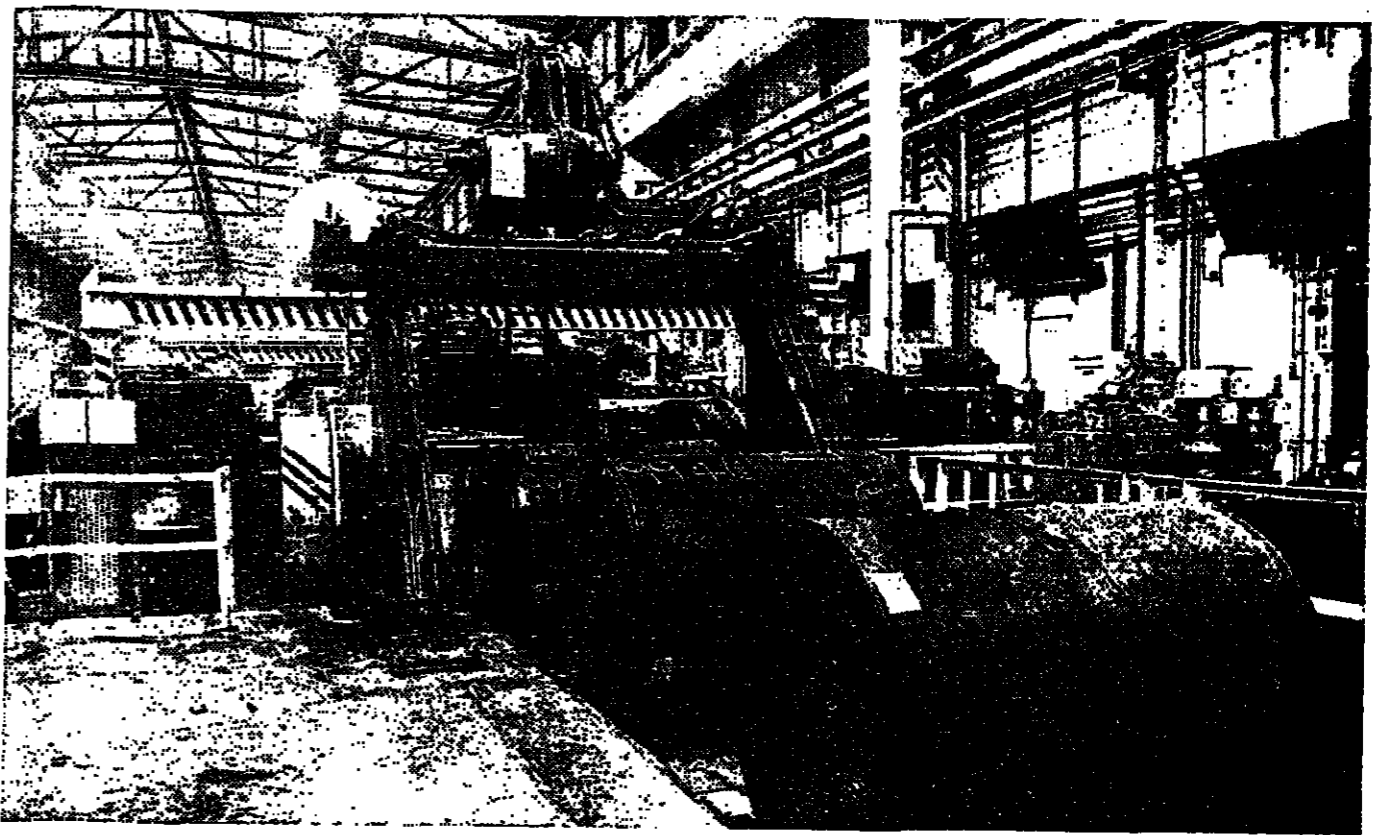
New, and advantageous, avenues are continually opening up. At the core of many chemical and metal processing plants are refractory-lined furnaces, heaters and recuperators. The high cost, relatively short life, and susceptibility to damage of such refractory linings is an accepted headache. Now, low-cost stainless steels are being used in a novel reinforcement system which is bedded in the lining as it is applied.

Although the stainless reinforcement is never even seen during the life of the furnace, it can still exploit the strength, corrosion resistance and heat resistance properties of the metal to the full.

Perhaps industry managers and designers should pay more attention to their wives, or their garden. After all, the stainless steel saucepan on the stove has to stand up to some pretty hard knocks. It has to cope with fierce, sudden heat, with violent temperature changes, and with a whole range of materials. And it gets scratched and scraped daily, as does a stainless steel garden spade.

But how often do they need maintenance? Does a saucepan need to be taken off the cooker and a substitute used for a period? A useful lesson indeed. Every day, over a thousand different chemicals are carried around the roads of Britain in stainless steel tankers, from the mundane to the highly dangerous, and products ranging from milk and beer to nitric acid. This is another example of the sheer versatility of this metal, and another lesson for industry, and another chance to take a fresh look at that staggering corrosion bill.

Frazer Wright



Building up the coil.

## Stockholding

CONTINUED FROM PREVIOUS PAGE

commercial relationship with BSC Stainless.

Nevertheless, current industry gossip seems to suggest around a dozen likely candidates, including the current six. There are signs too that BSC intend to develop more awareness among employees of stockholders, with talk sessions now under way to sharpen the sales message. BSC insist that the old system worked well for both the Corporation and the stockholders chosen. A doubling of product capacity, however, brings a changing world.

The care BSC is taking in choosing its new associates is a particularly illuminating example of the importance of stockholders to the steelmaker. Steel executives are only too well aware of the commercial power of a group of stockholders.

If they choose to stock, or destock, at a time when this does not suit the steelmaker, the whole cycle can be affected to some degree. The larger the stockholder, who can place the sizeable orders, especially when he is an associate of long standing, can expect price benefits as a reward in this about 5,000 tonnes of plate, and

relationship. Therefore he is a potent factor in market stabilisation at times.

The whole pattern of stainless steel distribution in the UK differs somewhat to that for other forms of bulk steel. Stainless flat products—the cold rolled sheet and the hot rolled plate—are sold within the UK to a relatively large number of small companies. Individually, their consumption is small. But there is also a much smaller number of comparatively large customers who require correspondingly large amounts.

Although there may be something like 2,000 different customers for the stainless steel flat products, only a handful have the sort of regular demand to match the large scale production capability of the mills, and are thus able to comfortably order direct.

So about 50 per cent of the total demand, has been met, in the past, by the six stockholders, working with BSC. Without this link, and the relationship it has to some degree, the larger the stockholder, who can place the sizeable orders, especially when he is an associate of long standing, can expect price benefits as a reward in this about 5,000 tonnes of plate, and

12,000 tonnes of sheet and strip in warehouses throughout Britain means that stockholders perform a service of incalculable worth to industry in terms of convenience and "cost of possession" alone.

Rapid delivery of ordered steel is often now taken for granted, but even maintaining this service takes very taut management with experience of the business, which can involve amounts of capital in stock, the swallowing up of huge equipment and buildings. And this, with an order load which may only extend days ahead, is of considerable importance in the manufacture of pressure vessels and similar advanced plant.

The last few months of recession have brought better relationships between steelmakers and many stockholders, who have made clear their desire to support the UK steel industry.

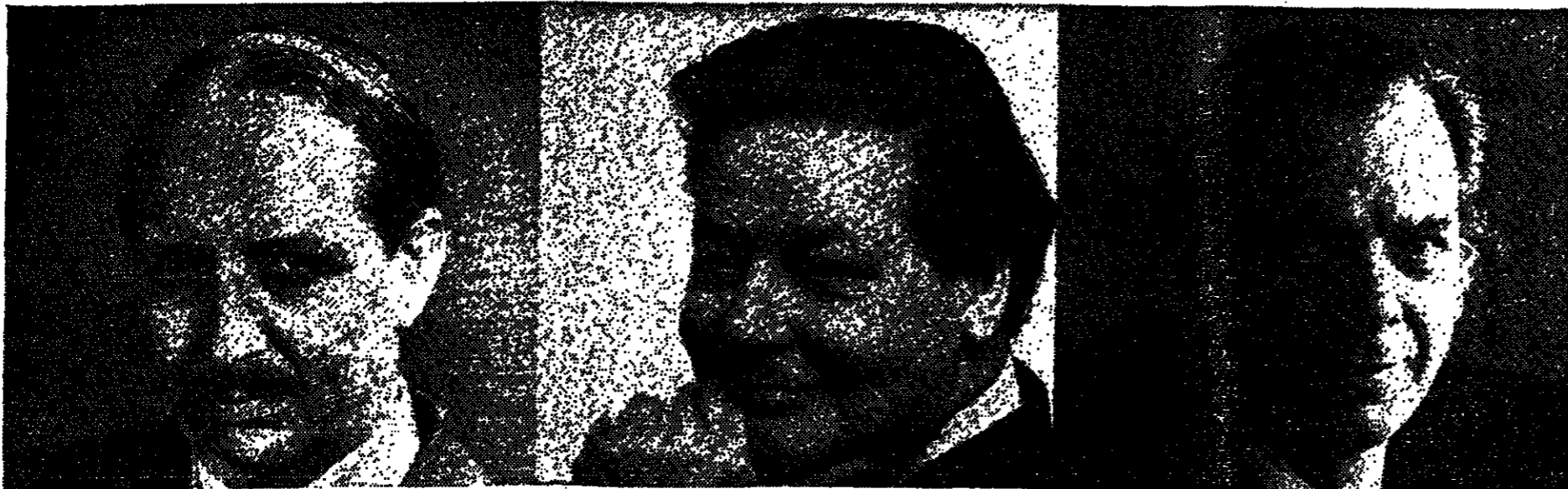
One survey suggested that British stockholders help their customers to shoulder over £17m worth of capital outlay through their service. But stockholding today is much more than a straightforward warehousing operation. Increasingly, they are involved in a whole range of added-value activities, usually as a result of a demand from customers.

This has meant the development of facilities that can prepare material to a far more advanced state before despatch to the customer. Coil can be cut to length, polished and slit. Blanking work can be done. Plate, often difficult to handle, particularly on site, can be sheared, cut by plasma arc equipment and even profiled before delivery.

By working closely with the steelmaker, stockholders can often anticipate market needs. One example of this was the way some stockholders, using the BSC technical services offered to them, decided to go ahead and stock plate to BS 1501, this, with an order load which may only extend days ahead, is of considerable importance in the manufacture of pressure vessels and similar advanced plant.

Frazer Wright

## Shepcote 2. The hard facts about a tough industry.



The successful completion of the £130m project will provide a strong foundation for Britain's process plant industry, for hot and cold rolled stainless steel.

MR. R. O. BURTON, DIRECTOR, NEI PURCHASING AGENCY

Alfred Simpson Ltd., and the other leading stockholders backed by BSC Stainless, provide an unrivalled stockholding service throughout the UK—and with Shepcote 2 it will get even better.

MR. CLIFF KEELER, DIRECTOR, BRITISH STEEL SERVICE CENTRES

Obviously if all things are equal we much prefer to buy British Steel. Our future lies with companies who invest in Britain, and it is up to us to support and participate wherever possible.

MR. J. MCKINNEY, CHAIRMAN, METAL ENGINEERING GROUP

The hard facts expressed by a cross-section of our customers speak for themselves—and they go a long way towards explaining why BSC Stainless is the largest supplier of all the stainless steel used in Britain. And why our market share is growing.

Perhaps you don't buy most of your stainless steel from us or aligned stockholders. If that's so, then you should consider the following facts:

Shepcote 2 is Europe's biggest purpose-built stainless plant.

BSC Stainless now has two completely modernised integrated plants, one at Shepcote Lane, Sheffield; one in Panteg, South Wales.

Both sites are equipped for A.O.D. steelmaking, ingot and continuous slab casting, cold rolling and bright annealing. Shepcote Lane also has a superb plate plant.

Shepcote 2 provides us with the plant to make cold rolled coils up to 1525mm wide, hot rolled plates up to 3050mm wide, and special 'Precision Strip' down to 0.075mm thick.

Now we would like to hear from you.

Finally we would just like to put this before you as a summing up. With Shepcote 2, you now have a source of high quality stainless steel that is newer, more modern than any other. Nearer than any other. Backed by an unsurpassed range of stockholding facilities and technical services. And it's wholly British. We suggest that these are four very good reasons for switching your purchasing decisions our way.

For any further information about the products and services available from BSC Stainless for Britain and overseas, please contact:

**BSC stainless**  
BSC Stainless, PO Box 161, Shepcote Lane, Sheffield S9 1TR

The excellent technical back-up provided by BSC Stainless is a major factor in our buying decisions. High quality stainless steel is an essential material for Carron's development.

MR. L. LAURE, CHAIRMAN & MANAGING DIRECTOR, CARRON COMPANY

GKN Sankey Limited, manufacturers of stainless steel beer kegs, casks and fittings, place great emphasis on quality, delivery and price to enable them to sell all over the world in a very competitive market. Shepcote 2 gives BSC the opportunity to improve on its already high standards in stainless steel sheet and coil.

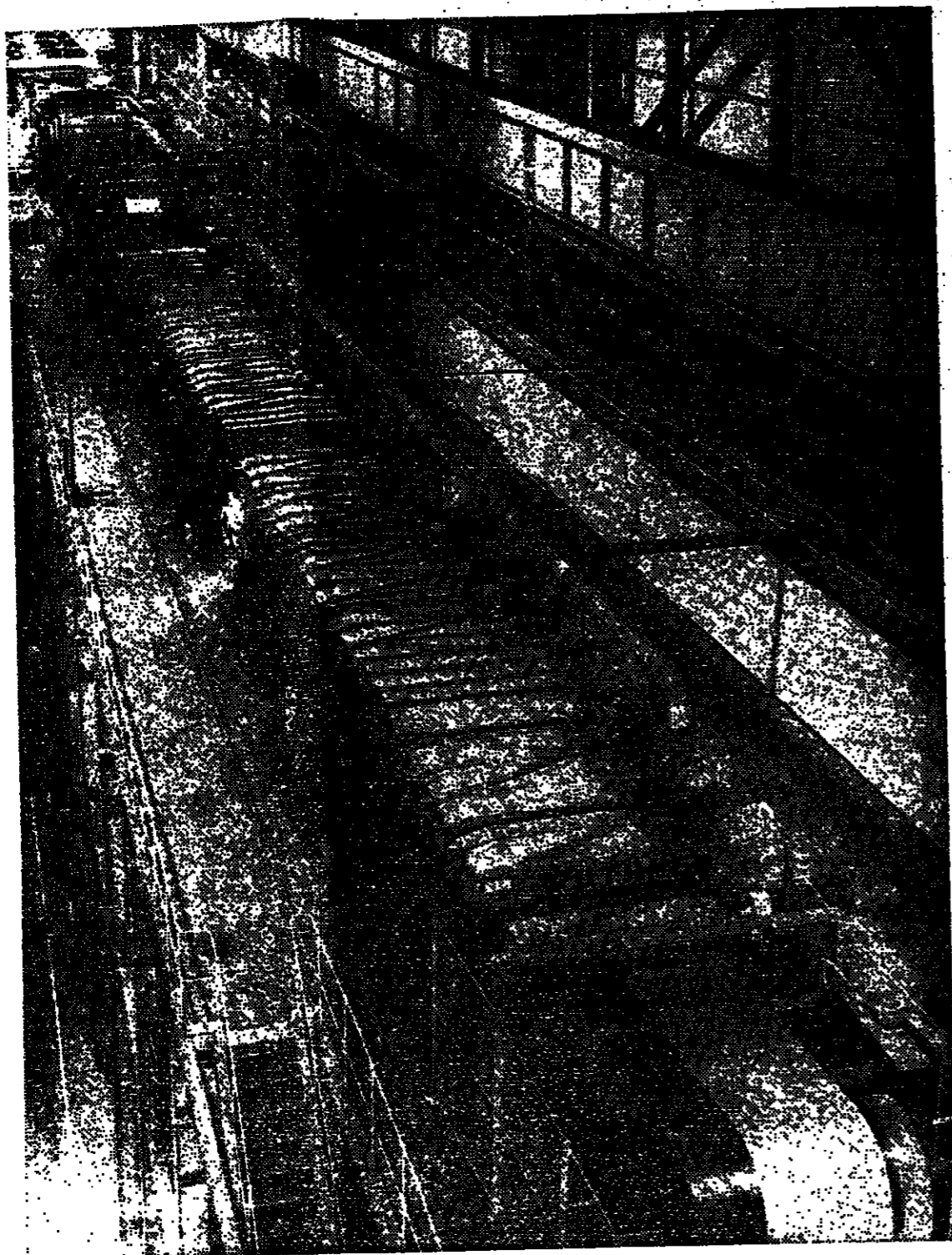
MR. W. WARD, SALES DIRECTOR, PREVIOUSLY PRODUCTS OPERATIONS, PRESSING DIVISION, GKN SANKEY LTD.

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MR. JOHN YOUNG, DIRECTOR & GENERAL MANAGER, T. CHESWICK SILENCERS LTD.

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## STAINLESS STEEL AT SHEPCOTE IV

# Advice for the customer

FROM THE early days of the development of stainless steel as a commercial proposition, manufacturers have taken a vigorous and active part in product development, both for the good of the customer and for the industry.

In some respects, stainless steel was something of an enigma to potential customers. They were only too aware of its immensely valuable properties, yet through a combination of suspicion, inexperience and often inaccurate gossip, they tended to fight rather shy of tackling the metal.

The interest was there, as was the potential. It needed a suitable push to harness it all, and the need for this assistance was obvious. By 1972, the bulk of stainless steel manufacture, certainly as far as flat products were concerned, was in the hands of BSC. Product development and advisory services evolved accordingly.

The old Stainless Steel Development Association, which had performed a useful job was clearly outmoded, and in April 1973 the Corporation set up a new Stainless Steel Advisory Centre.

This was followed, more recently, by an important reorganisation to form BSC Sheffield Laboratories, which brought together the former Corporate Development Laboratory in Sheffield, and the extensive BSC Swinden Laboratories in Rotherham. This created a useful combination of complementary units each with important experience of product development work.

The Advisory Centre was, in fact, from the start an information bureau. Unusually, perhaps, it was open to both industry and the general public, although it is essentially aimed at users of stainless and special steels, as opposed to bulk steels. Certainly, it seems to be the first serious attempt to give helpful advice about special steel usage and related problems to anyone needing such advice and assistance.

### Research

Conveniently, the Centre is based alongside the Technical Information Department and Library of the Swinden Laboratories in Rotherham, South Yorkshire, to provide a direct entree to the extensive engineering and applications research on special steels housed there.

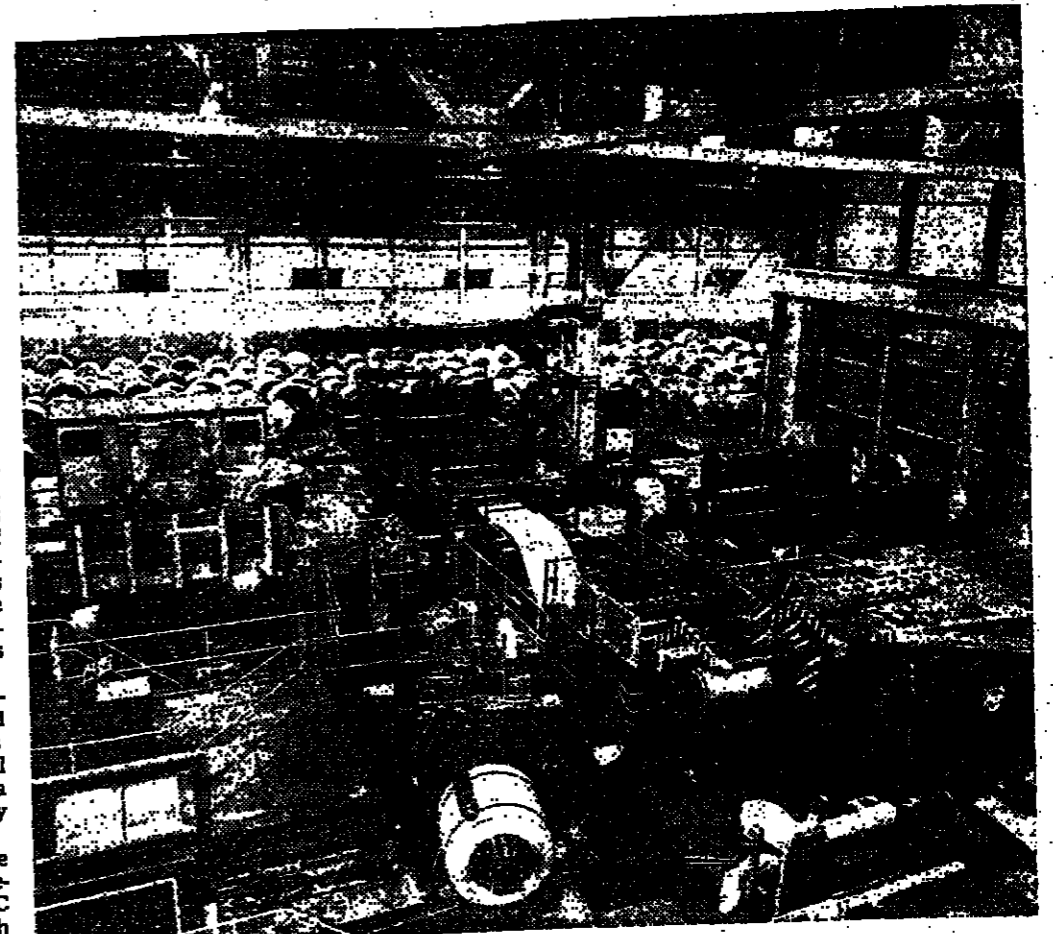
An analysis of the first year's inquiries is interesting. Over 40 per cent concerned stainless steel, and 20 per cent covered corrosion problems. In the limit diagrams provides an intradate sector, the inquiries came from engineers seeking advice on welding, heat treatment, dressing and finishing. Architects sought the source of building components. Designers had material selection problems. Life was nothing if not varied for Centre staff, for they handled a surprisingly wide range of queries from the general public too. Housewives wanted to know how to clean stainless steel sinks, and there was even a worried request on how to clean the bottom of a stainless steel column in a shopping precinct, which was apparently much visited by dogs.

The bulk of the requests for help, however, have been technical inquiries which are analysed, coded, and then stored in the Research Centre computer for subsequent retrieval and examination. Regular recurring requests are monitored to see whether new research needs to be put in hand, or if specific literature should be prepared. Most enquiries to the Centre are telephone queries, and most can now be answered at the time of the call. Indeed, the majority are answered within the day.

Product development work is in the hands of the BSC Sheffield Laboratories, which have over 700 staff providing close technical support for the works in the BSC Sheffield Division, and the allied BSC Billet, Bar and Rod Product Unit.

As part of the £130m stainless steel development in Sheffield, BSC Stainless has commissioned a series of major product development programmes that are more application-orientated than any previous investigations.

An important part of the BSC Stainless brief has been the need for a more utilitarian image for their metal, too long considered an unapproachable combination of the beautiful and the exotic, perhaps, in some eyes. In recent years, the demand for new grades of stainless steel has fallen, although the 1960s did see the development and introduction of the new nitrogen-bearing Hiproof steels. At the time of their introduction, prevailing design codes did not permit the full exploitation of the high proof stress values, according to Dr. D. T. Llewellyn, of BSC Sheffield Laboratories, but it is still considered that the develop-



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## ANOTHER MAJOR PROJECT COMPLETED FOR BSC STAINLESS

Following on from the completion of the Plate Mill Project last year, Octavius Atkinson have now fabricated and erected steelwork for the Sheet and Coil Processing Plant at Shepcote Lane. This massive project has required 7,500 tonnes of building structure.

In the current BSC development programme, Octavius Atkinson are fabricating over 30,000 tonnes of structural steelwork for the various complexes throughout the U.K.

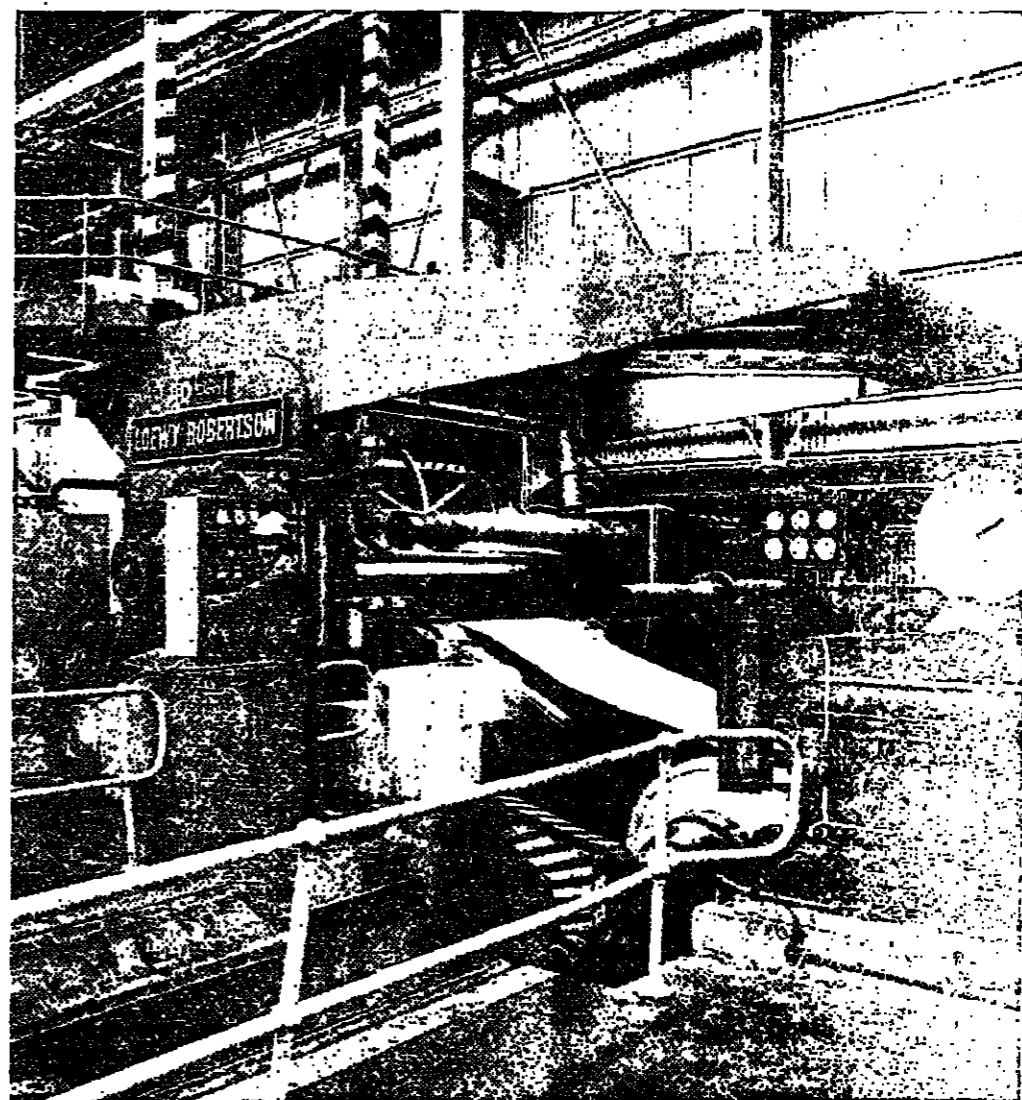
Apart from erecting building structures, the company specialises in providing structural steelwork to the petro-chemical, chemical and mineral extraction industries, both in the U.K. and on a world-wide basis.

The services of Octavius Atkinson are continually being employed internationally, where typical current contracts range from the supply of steelwork for the major mining complex being constructed in the Philippines to the supply of plant structures for the Chabahar Naval Base in Iran.

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## STAINLESS STEEL AT SHEPCOTE V

## Breakthrough near on exhaust systems



The skin pass mill.

THERE IS little doubt that the stainless steel exhaust system has, inside a few years, become an accepted part of the motor world. Equally, it represents a success story for marketing tactics employed by the British Steel Corporation.

But it is still a story without a happy ending, and tantalising to an extreme. The final success has still to come for BSC, for none of the mass market manufacturers has yet made a stainless steel exhaust system standard on a middle range saloon.

For two, perhaps three years, the concept of a five year exhaust system has been gradually taken up by the luxury car makers both in Britain and Europe. As a bolt-on accessory for the existing car market it has proved highly successful.

Not until you can buy, say, a Granada or a Princess with a stainless system as standard will the BSC exercise be a complete success. Nevertheless, industry can still study, with some envy, the way a product was devised, developed and marketed, as a model study.

## Concept

The concept of such an exhaust system is far from new. Sheffield stainless steel plants had the idea as a golden gleam in the early 1960s. They were only too well aware what an appetite such a market would have for their metal. But they were only too well aware too that the types of stainless steel then available in bulk were hardly suited to mass production of such systems. Some steels which appeared to be possible candidates were too brittle or difficult to weld, bend or pierce. Some had one quality, others another. Few met the stringent range of qualities which were obviously necessary, although development reached an advanced level.

The final breakthrough came with a new steel, Hyform 409, a ferritic stainless steel produced to a closely controlled chemical analysis using a composition balance factor to limit the for-

mation of the brittle martensite phase in the parent sheet and the welds.

Production involves a process route in which steelmaking, rolling and annealing variables are optimised to provide easily fabricated material. Rigorous quality control, and surface quality checks are essential.

Once the steel had been successfully developed, an extensive programme of road proving trials was carried out which proved that exhaust systems could be made from Hyform 409 using the same techniques and machinery employed for mild steel exhausts. The softness, and low rate of work hardening of the new steel proved ideal.

BSC had already commissioned the biggest and most detailed survey ever undertaken of the long-life exhaust market. The results demonstrated the general demand for durability, and confirmed that the 2,000 motorists questioned considered that exhausts caused more troubles than any other component of modern vehicles.

Even more hopeful was the comment of 90 per cent of the motorists quizzed, who endorsed the idea of paying an extra £15 for a car having a stainless system fitted as standard. Fifty-eight per cent even said they would buy, or seriously consider, a stainless steel system as an optional extra at a proposed additional cost of £30.

The resistance came from the major car manufacturers, when initial plans for stainless systems, then in the existing 18/8 stainless steel, were discussed. The majority of the industry insisted that they could not afford to load the extra cost of an exhaust on to a car because the first owner, who had to pay the extra, probably would not get the full benefit of the system.

Now, with Hyform 409, the life of a stainless exhaust is in the region of five years. Now, the extra cost of a system as standard could be about £10. For an item price increase of

50 per cent, the system would give two and a half times the life of an aluminised mild steel system.

Still the carmakers resisted. The other avenue was still open, however. Grundy Auto Products Ltd., a South Wales company who started making stainless steel silencers received a \$550,000 investment from BSC, "because manufacturers could not be expected to invest in developing the market." Now BSC has a 49 per cent stake in Grundy.

The venture has been a success, spurred particularly by the legislation which brought silencers into the annual MOT car inspection from the beginning of last year. Some manufacturers are already using stainless systems as standard—Rolls-Royce, Jaguar, Mercedes, Volkswagen, BMW and Porsche, for instance.

## Marketing

BSC insist that it is now only a matter of time before they are joined by some, if not all, the mass market companies. Perhaps stainless systems are not as likely to emerge on the low budget cars. Here, the aluminised mild steel system could maintain its position.

But in the range of cars currently costing £4,000 and more, the system will surely come now the five year life cycle is established.

The marketing programme has been paralleled by a substantial research and development effort by BSC Stainless designed to continue development of its steels, and help manufacturers design exhaust systems which use the advantages of stainless steel to the full.

Operating conditions in service have been scrutinised over the long term, and each component in the system has to be viewed both individually, and in context so that failure from corrosion or fatigue does not occur.

Variations of temperature and environment occur all along exhaust systems, and the choice of materials, therefore, depends

on the extremes of these criteria. Corrosion from the inside is an important factor, arising from exhaust gas condensate. This in turn is affected by factors like internal design, silencer position and the acoustic packing materials used.

Development staff found that the temperature of exhaust gases leaving the cylinder head was often up to 800 degrees C. External pipe skin temperatures were up to 500 degrees. External skin temperatures of silencers could be as high as 200 degrees. And the final gas emissions were still up to 400 degrees.

The system does more than remove exhaust gases from the engine. It cuts down the noise of this process too. External noise tests have shown that well-designed stainless systems can achieve the same degree of silencing as comparable mild steel systems—even with wall thicknesses 20 per cent thinner than mild steel.

Performance tests, to measure fuel consumption, acceleration, and top speed show no worsening of performance with the stainless system.

The success of Hyform 409 in the exhaust market has already led to widespread study of other industrial applications, bearing in mind that on a cost ratio scale, where mild steel is equivalent to 1, 409 comes in at 4.2.

Potential applications range from industrial chimneys, facing corrosion and oxidation problems, to mining equipment, scientific instruments and such chemical plant accessories as catwalks, insulation strapping and stairways.

There are many other potential uses in the motor industry. Already, radiator thermostats are being manufactured in stainless steel.

Next could well be petrol tanks, radiator tanks and caps, underbody frames and wheel arch liners. In fact any automobile parts which need resistance to high temperatures, or the stark combination of water, salt and grit from the road.

Perhaps the Hyform 409 family will, eventually, be as

broad and as varied as that of the familiar 18/8. Already it has proved itself as the ideal compromise for exhaust systems. It is already available in sheet, coil, thin gauge plate and precision strip. For the future, there are more intricate exhaust system uses in store for it. Stringent regulations are already in force in the U.S. to minimise pollution by exhaust gases.

One widespread attempt to tackle this problem is the catalytic converter. This too has a substantial appetite for stainless steel, and already many thousands of tonnes of 409 have been exported to the U.S. for their construction, as well as the steel used in U.K. cars destined for the U.S. market.

Recent developments confirm the tendency to move towards a greater use of this cheaper, ferritic steel instead of the 321 stainless originally specified.

So both the concept of stainless steel exhaust systems, and the material developed to make them now stand on the threshold of great things. Only the final nudge is now awaited.

F.W.

## Advice

CONTINUED FROM PREVIOUS PAGE

As invariably happens with stainless steel, the initial cost of such products is higher. The savings on maintenance, however, together with their vandal-proof qualities offer substantial attractions in the long term.

With considerable encouragement from BSC, several manufacturers have now entered the field of stainless steel sanitary ware, finding type 304 stainless ideal for wash hand basins, and baths, with type 316 useful in situations where additional corrosion resistance is required.

Stainless steel, if reasonably maintained, will not crack or chip and does not provide fissures to house micro-organisms. This gives it substantial advantages in the field of hygiene. In other products, stainless steel for cladding pur-

poses. Here too, a wealth of ability. Even the toughest data and experience is on hand to assist a designer. It is not tackled with a clean cloth and just new buildings which can soapy water, although more benefit either. Stainless steel aggressive cleaning, such as has been proven as a suitable replacement for lead on church shrugged off too.

Insurance premiums. A working party of steel-makers, acting as a result of an EEC directive, have established that stainless steel imparts no odour, taste or colour to food.

Another early success for stainless steel, which also proved the value of product by steel manufacturers to make their product easier to use and available to a far wider strata. As more uses are found, so the build-up of information continues. The benefits, to both steelmaker and steel user, can only increase.

An increasing number of construction projects are choosing stainless steel for cladding purposes. Here too, a wealth of ability. Even the toughest data and experience is on hand to assist a designer. It is not tackled with a clean cloth and just new buildings which can soapy water, although more benefit either. Stainless steel aggressive cleaning, such as has been proven as a suitable replacement for lead on church shrugged off too.

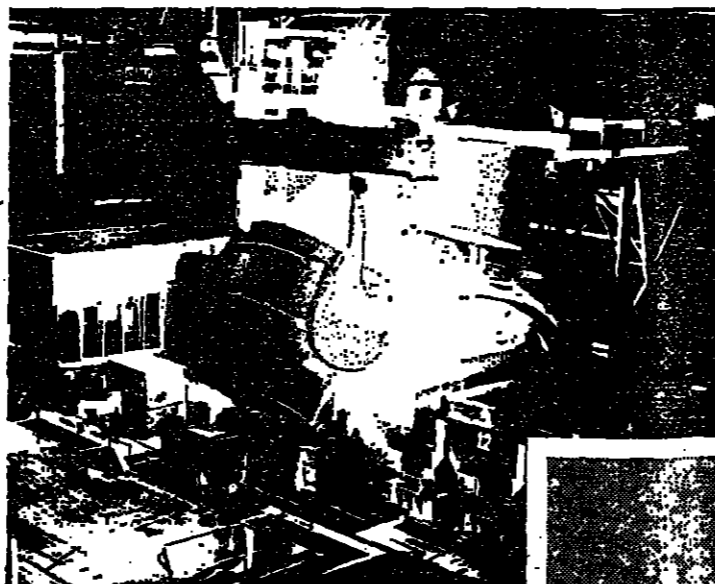
F.W.

## Our contribution to British Steel's outstanding achievement at Tinsley Park:

## The AOD Vessel\*

The Argon-Oxygen AOD process of decarburising molten stainless steel is carried out in the 130 ton vessel involving simultaneous injection of the two gases through side mounted tuyeres. Efficient removal of carbon at low final specification levels is achieved with minimal loss of valuable chromium, combined with improved steel cleanliness.

\* Developed and patented by Union Carbide Corporation Linde Division.



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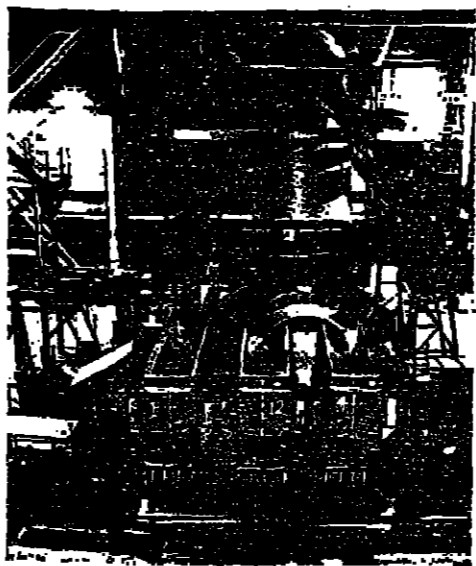
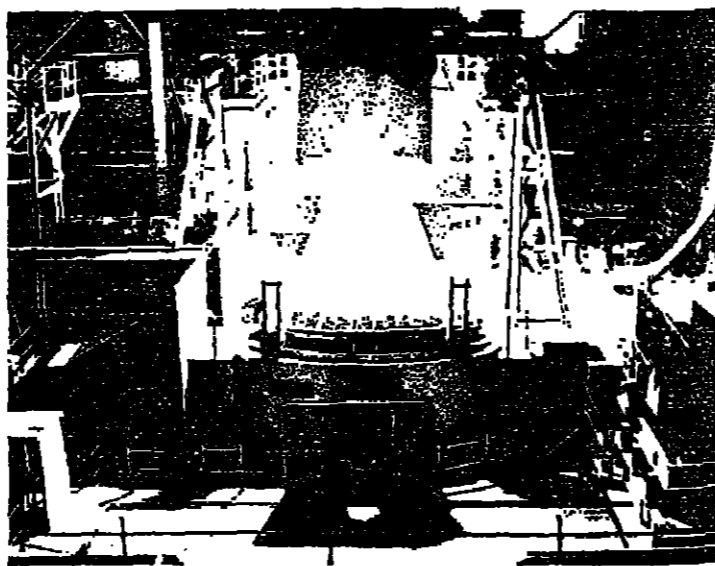
## Salem

The AOD vessel, being fitted into a trunnion ring, can be rotated into the vertical position or to other positions for charging, sampling and tapping, and is achieved by DC electric drive motors through a gear reduction unit. The vessel is removable from the trunnion ring for replacement.

Salem Engineering has installed, or is currently working on, vessels ranging from 17 to 130 tons capacity.

## Salem supplied:

- Three vessels, trunnion ring, mechanical and electrical drive units. ■ Fume hood. ■ Coolant scrap charging machine and removable charge boxes. ■ Retractable sampling platform. ■ Two vessel drying out and preheating burners. ■ Process gas flow piping and automatic control system and operating panels.



The Directors of Salem Engineering take this opportunity of congratulating the Directors and staff of BSC Stainless Limited on the occasion of the opening of the new works.

G.F. Preece  
CHAIRMAN & MANAGING DIRECTOR

**Salem**  
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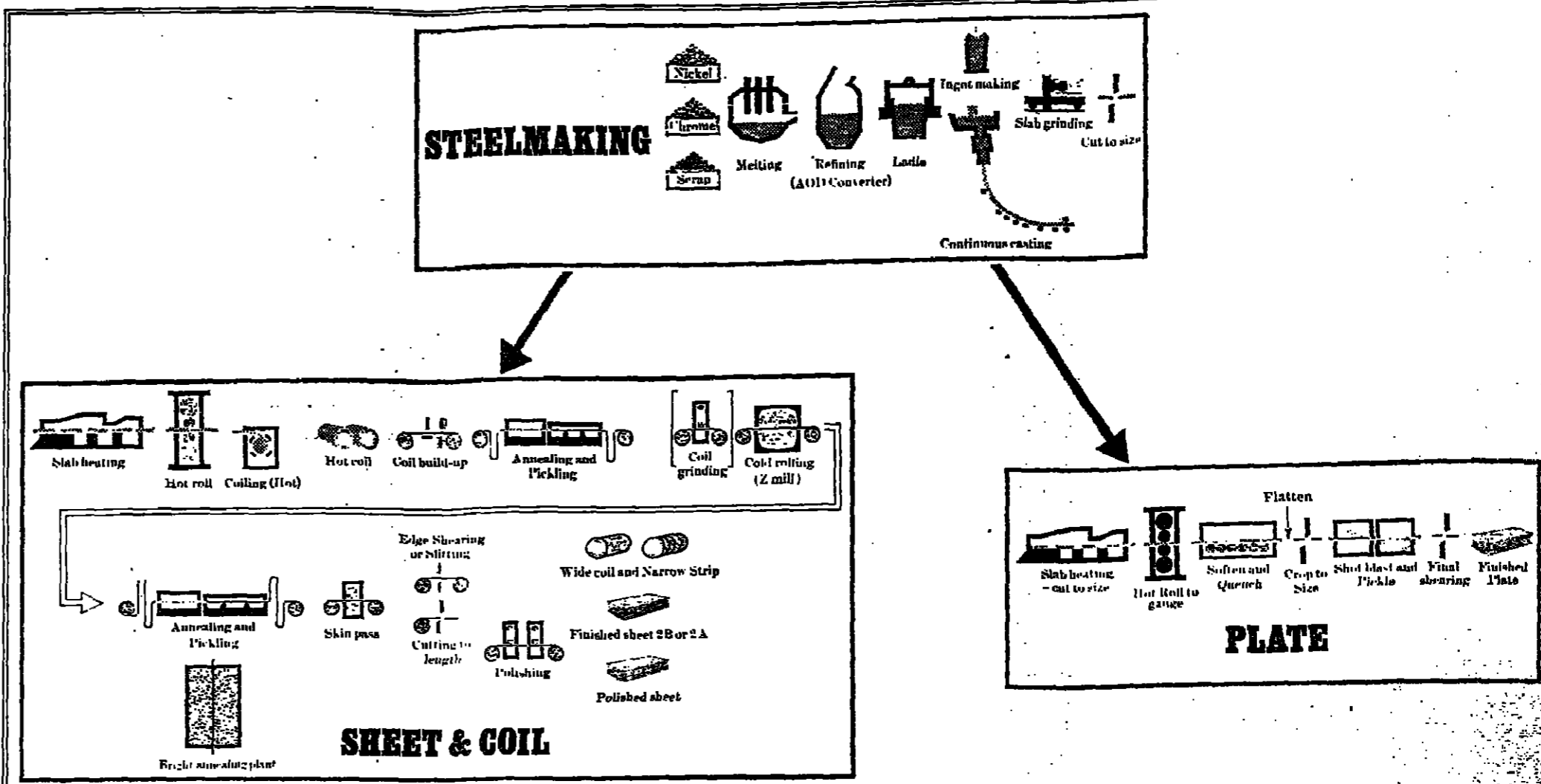
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A Division within British Steel Service Centres Group of the BSC

## STAINLESS STEEL AT SHEPCOTE VI



## A modern melting shop

THE LION'S share of the £150m investment — some £80m in fact — has been spent on the new primary steelmaking facilities at Shepcote, Sheffield.

The whole project there has been code-named SMACC—Stainless Melting and Continuous Casting. It is the biggest and most modern stainless steelmaking facility in Europe and ranks with the biggest currently in use in the U.S.

SMACC can use a widely varied selection of raw materials to feed the stainless steel electric arc furnace. The standard charge will be about 40 per cent stainless steel scrap composed of selected scrap bought in from merchants or collected from recirculating material within the works. But it will be possible to go up to 70 per cent scrap usage if the scrap is available and cheap. The

remainder of the charge will be made up of ores and additives. Up to 100,000 tonnes of scrap will be purchased each year.

The actual charge to the furnace on any particular shift is governed by a computer system called Least Through Cost Mix. Designed to provide the most efficient mix of raw materials independent of the operators it will consider materials prices at that time and transportation costs of scrap and ferro alloys before recommending a "mix" via a visual display unit. The necessary materials will then be selected in skips again on the instructions of the computer. This facility alone is expected to result in substantial savings on cost of the stainless steel made.

The SMACC steelmaking is based on an electric arc furnace used to carry out a straight-forward melting of the chosen raw materials. It will be able to handle a cast of steel of up to 110 tonnes. Meanwhile a computer will be recording the composition of the raw charge to the furnace and the composition of the resulting steel beginning a history for that particular cast of stainless which will accompany it on its 12-week progress through the various stages of the works.

While the charge is in the arc furnace little or no refining takes place. After it has reached the required temperature it is tapped into a ladle and transferred to a second liquid steel-making vessel alongside called an argon/oxygen decarburising (AOD) vessel. The arc furnace cycle is only 24 hours long for an average 100-tonne melt. The period that the liquid steel is in the AOD vessel depends upon the amount of refining that is needed. The process is constantly being monitored by computer. One of the features of the melting shop is that there is no paperwork. All the operators have been trained to use computer terminal visual display units.

In addition some 20,000 tonnes of stainless steel each year will be rolled into wide plate of up to 3-metres width at the BSC Dalzell works in Scotland. The melting shop and its associated casting and grinding facilities makes heavy use of computer control and on-line analytical facilities during the steelmaking stages.

Co-ordination of production, the dissemination of manufacturing instructions, and the feedback of processing information is provided by the computer-based production planning and process control system.

Each major operating point in the plant is equipped with a visual display terminal and a keyboard. In addition an automatic data link to the analytical system computer allows steelmaking analysis results to be displayed on the terminals.

The system has considerable scope for extension into automatic power control in the arc furnace, AOD steelmaking calculations, and calculation of optimum cutting lengths for the continuously cast slabs.

The new stainless steel melting shop is one of the most highly automated installations of its kind ever built.

R.H.

running along the upright of the T away from the furnaces.

The next stage in the primary steelmaking process is a big bay where the slabs of stainless steel are processed. It is necessary to grind the surface of the slabs to remove impurities occurring during the continuous casting. Three high capacity slab grinding machines have been installed each of which is capable of processing 10 tonnes of steel an hour. Each machine has a 500 hp motor to drive a 3-ft diameter grinding wheel. They are the biggest such machines employed anywhere in the world. Each one wears out its grinding wheel in the course of a single shift.

So that the grinding wheel of each machine can do the maximum amount of work a system of twin handling gear has been arranged. While one slab is being tilted and inspected after grinding another can be passed under the wheel.

### Slabs

The output of the melting shop is handled in three different ways. Most of the steel is continuously cast into slabs as described. A further 12 per cent is cast into slab ingots, and 18 per cent into square ingots. The individually cast ingots go to Stocksbridge, Sheffield, or Tinsley Park Works, Sheffield, for rolling into billets and rounds. Most of the slab ingots are rolled at Tinsley Park while some go to the Lakenby, Teesside, slabbing mill for the production of slabs for specially wide steel band.

The surface ground continuously cast slabs (some 150,000 tonnes a year when full production is reached) are sent to Lakenby for rolling into hot band steel upon one of British Steel's best rolling mills. It would not have been economical to install a special mill for the job at Sheffield. After rolling the steel is then sent back by the same "merry-go-round trains" to Shepcote, Sheffield, to be cold rolled and finished.

In addition some 20,000 tonnes of stainless steel each year will be rolled into wide plate of up to 3-metres width at the BSC Dalzell works in Scotland.

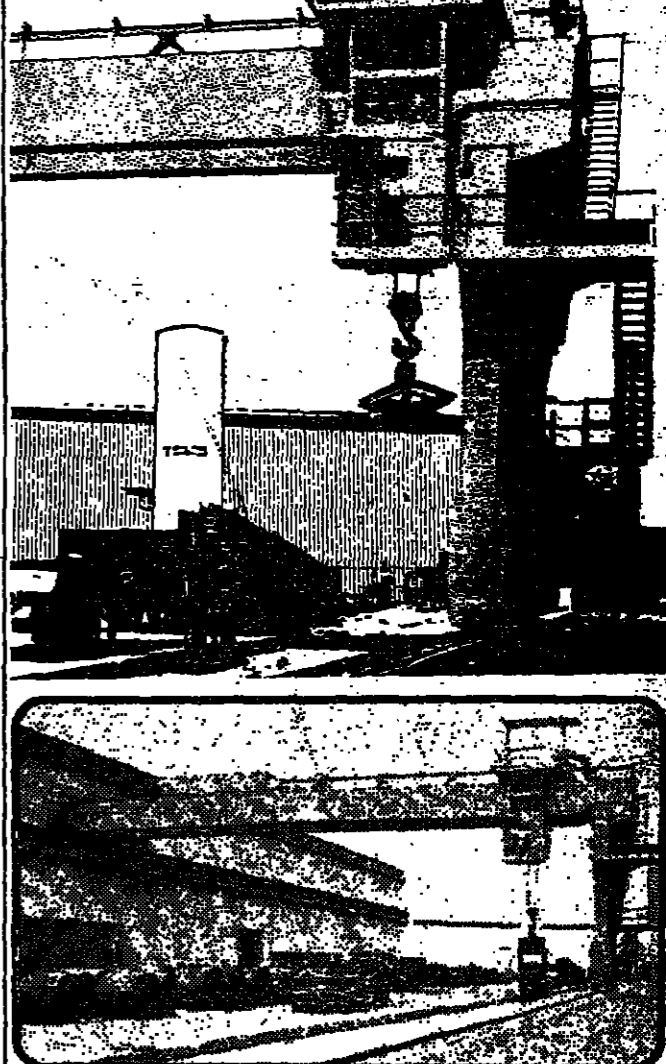
The melting shop and its associated casting and grinding facilities makes heavy use of computer control and on-line analytical facilities during the steelmaking stages.

Co-ordination of production, the dissemination of manufacturing instructions, and the feedback of processing information is provided by the computer-based production planning and process control system.

R.H.

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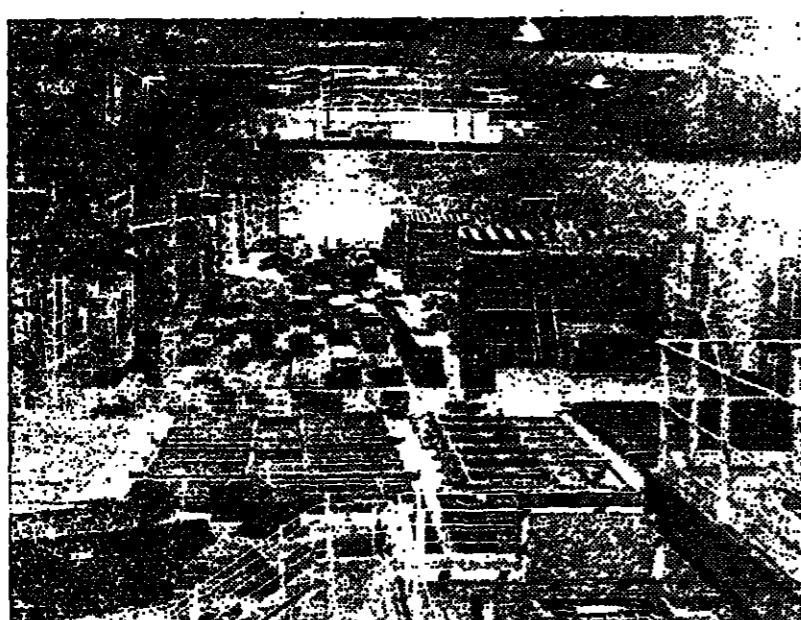


Photo of the new slab conditioning installation at BSC SMACC featuring three of the biggest and most modern slab grinders in the world.



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حکومت النعمان

## STAINLESS STEEL AT SHEPCOTE VII

## Finishing plant

THE £50m investment on what is rather charmingly called "stainless steel enhancement" includes £8m on a plant opened last year for finishing hot rolled plate to a high standard suitable for nuclear and chemical engineering, £20m on civil engineering work, and £22m on rolling mills and other finishing equipment for the various forms of stainless steel product.

The plate finishing facilities are housed in a single building of 300 metres. The progress of the big plates up and down the hall can be followed from an overhead walkway. The plant was commissioned at the end of 1976 and has since been working up while the other Shepcote facilities were being installed and the SMACC project for a new steel source was being built.

Work on the stainless steel plate and coil expansion scheme

so that large—25 tonne—coils can be passed through the plant.

## Coils

Four separate lines provide facilities for softening and de-scaling the coils. After initial processing there the coils are cold rolled. One new Sendzimir cold rolling mill was commissioned this year. It is designed for the cold rolling of 25 tonne stainless steel coils. The mill can handle 10 tonnes of an hour of typical coil material. A computer based system provides automatic control of rolling according to pre-programmed rolling schedules. This annealing plant which is an advanced feature which allows automatic slowing-down, and other useful control variations. Up to 300 detailed rolling programmes can be stored in project staff in consultation with production maintenance.

All the electrical power quality control, and productivity supply, control systems and services staff. Working parties computer equipment for this were set up early in the project.

new mill is housed in a separate three-storey building. The mill itself is controlled from a single elevated and semi-enclosed control pulpit at the front of the mill.

A further Sendzimir mill identical to the one described is scheduled to come into use next January and to commission in July, 1979. In addition to the two new mills there are three older Sendzimir mills, one High Robertson Mill, and two pinch pass mills, one of which is part of the current development project.

By expanding on an existing stainless steel making site—the old Shepcote Lane rolling mills—to create the new steelmaking and finishing complex BSC believes it has managed to ensure continuity of experience by the workforce together with maximum continuing production during the expansion period.

R.H.

## Many uses in the home

IF YOU look around the average home and start to add up the products in daily use that are dependent in some part or another, upon stainless steel, the number seems astonishingly high. It is a material which we tend to take for granted, grateful for its practical qualities, but unlikely to get over-excited about. Cookers, toasters, kettles, kitchen gadgets, washing machines, fridges, dishwashers, cutlery—these are the everyday items which we would miss desperately if we were without them but which do not, on the whole, move us the way perhaps a lovely fabric, or a stunning vase, or a voluptuous sofa might.

On the whole stainless steel is used for its very practical qualities—for its durability, its hygienic qualities, for the fact that it is solid all the way through and therefore does not chip or corrode. It is a high-quality material and one of the great pities of recent years has been the fact that the great influx of cheaper goods from the Far East has begun to harm its image in many people's minds. As manufacturers look more and more to Europe for the volume that successful manufacture demands, the great hope is that European marketing trends will have an effect on design and quality that can't help but be for the better. On the whole in Britain we tend to be very price conscious and even though most of the imports are of inferior quality they are quite skilfully packaged and the price differential has been enough, particularly in spheres like cutlery, to persuade the public to buy these.

In Britain we have one of the lowest per capita consumptions of stainless steel in the civilised world but British manufacturers have every intention of putting this right in the coming years. One of the most obvious spheres in which to compete is the kitchen. Already stainless steel is used a great deal for split-level cookers, hob tops, doors for refrigerators, but abroad there is now a great trend towards a combined stainless steel unit which consists of a sink and a hob unit top with an area between the two where hot pans can be rested.

## Obvious

All but a tiny proportion of sinks nowadays are made from stainless steel but an obvious extension to the idea is to be seen in the developments found in Europe. Here there is a much greater emphasis on hygiene and in most new per cent there is a greater separation of hand-washing, vegetable preparation and general dishwashing and sink facilities. At the very least a new European kitchen should offer a double sink.

Many of the ways in which stainless steel is used are functional but not very noticeable much good. Though often attractive the linings of dishwashers and washing machines is one of the most outstandingly successful applications of the materials would be if produced entirely both for practical and aesthetic reasons. Many people, it has been found, equate stainless steel with a clean and clinical look. This can sometimes be a disadvantage (though most people feel that a good architect and designer can incorporate stainless steel into a setting and create an aura of warmth and cosiness by skilful use of colour and other materials elsewhere) but when it comes to washing it has obvious advantages. The drum of the machine and the interior of the dishwasher should take little cleaning and neither corrode nor lose their pristine appearance. Hygiene have a range of units in their Continental range tainly offers new opportunities,

though at the moment the two British models on the market, don't use it. Metal Box have just produced a very attractive, streamlined range of stainless steel storage canisters to match up with their kitchen tools.

Perhaps the most eye-catching use of all, though, is that made by Ringo and Robin Designs, in their very modern, often very beautiful, furniture. Ringo and Robin are in reality Ringo Starr and Robin Cruickshank and they first met at a British Steel exhibition over the stainless steel stand, so they have an affection for the material. They think it is "precise to work with, has a touch of glamour about it, it is striking never boring and makes a wonderful counterpart to other materials." With that as a recommendation, it must surely go far.

Lucia van der Post

## Consumers

However, it looks as if stainless steel may begin to recapture some of this market. The price of aluminium is rising fast so that the price differential has all but disappeared and people are beginning to look for a better quality product. Manufacturers of stainless steel run their surface is better for cooking with than the non-stick one which, usually, begins to wear fairly thin after a couple of years. Stainless steel can provide a very high-quality product which can last for years—though potential consumers should note that stainless steel transfers heat very quickly and therefore have a bottom that is bonded to another metal like copper or aluminium which ensures a slower, more even transfer of heat.

The cutlery industry has been most badly hit of all by the cheap imports from the East—though holloware (as jugs, bowls, ashtrays, teapots and so on are called in the trade) has been affected, too. In the ten years leading up to 1976 imports of cutlery more than doubled in value (up to 77.5 per cent) but trebled in volume (to 88 per cent). There is now only one truly British manufacturer—others import blanks and finish them here but only one firm makes completely in new, European kitchen should offer a double sink.

The cheaper imports have, however, been found, equate stainless steel with a clean and clinical look. This can sometimes be a disadvantage (though most people feel that a good architect and designer can incorporate stainless steel into a setting and create an aura of warmth and cosiness by skilful use of colour and other materials elsewhere) but when it comes to washing it has obvious advantages. The drum of the machine and the interior of the dishwasher should take little cleaning and neither corrode nor lose their pristine appearance. Hygiene have a range of units in their Continental range tainly offers new opportunities,

For the moment, of course, British Steel is always on the look-out for new exciting applications of the material. The coming of microwave ovens certainly offers new opportunities,

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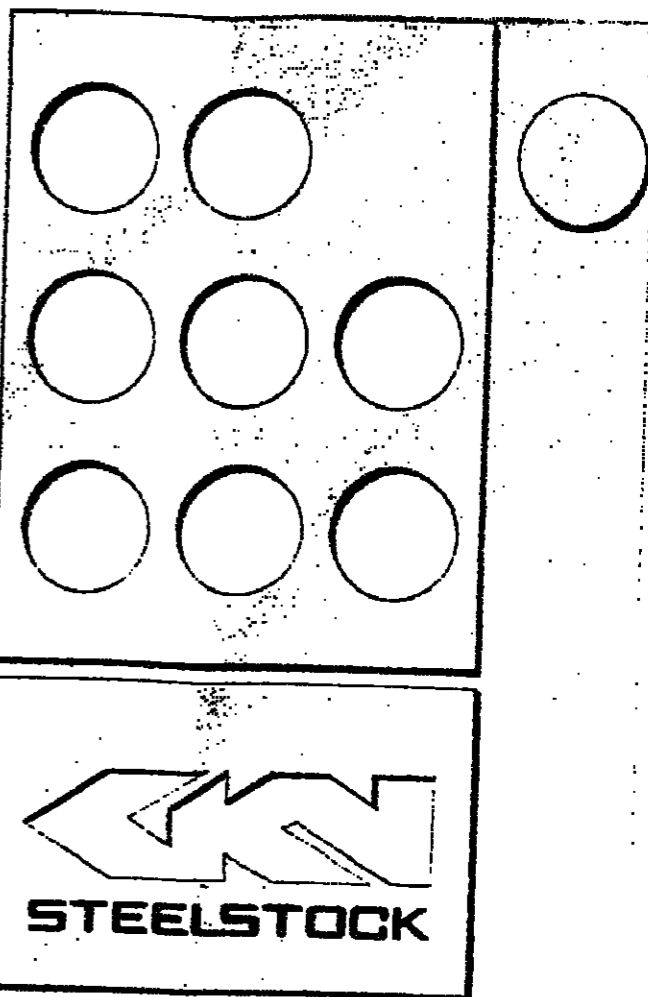
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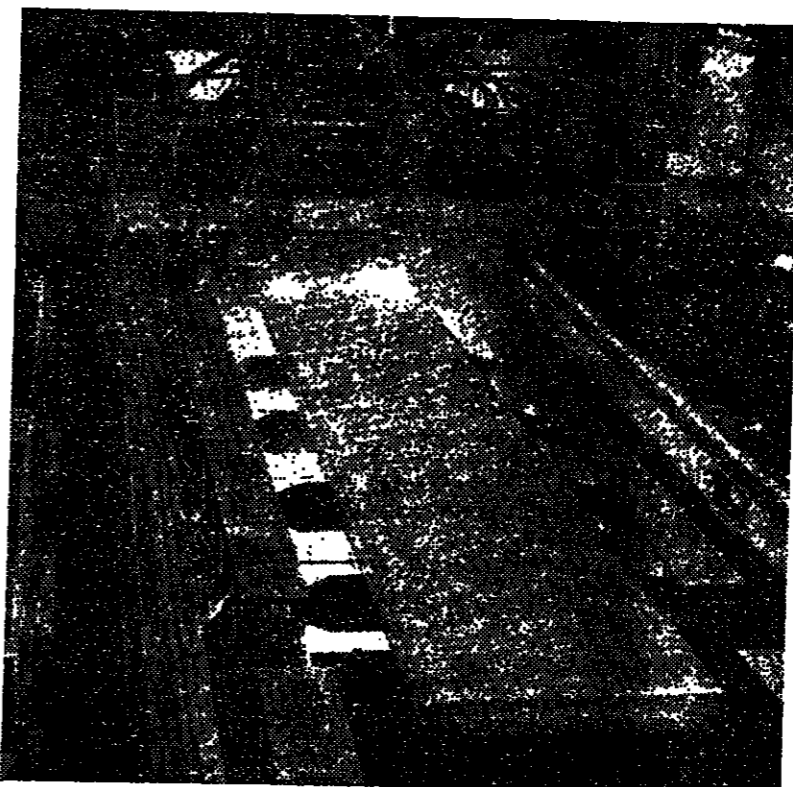
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Continuous casting of stainless steels has proven that it not only affords important advantages from a cost point of view but is also able to satisfy users with respect to their high requirements on product quality.

Thus it is not surprising that in CONCAST too, stainless steel casting - particularly in slabs - is of great importance. Specialists in this field are assigned to our Customer Service Department to consult with steelworks producing these grades in addition to their commercial product line as well as those whose continuous casting machines are used exclusively for stainless steel.



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One of the ZR 21B-63 Sendzimir Mills supplied by Loewy Robertson.

## A few words from Loewy Robertson about BSC Shepcote 2

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Inspection of strip at decoller allowing automatic sheet classification. Classification system computerised giving 19 different operational modes of stacker. Automatic scrap reject. Up to 22% reduction of scrap utilising classification. Automatic paper inter-leaving facility. Built-in facility for monitoring stock control.



## STAINLESS STEEL AT SHEPCOTE VIII

# The independent producers

WITH THE opening of the British Steel Corporation's new stainless steel development in Sheffield, the paths of the two steel sectors in the city — private and publicly owned — have diverged further once again.

At a cost of £130m the BSC is making a bid for a major share of the world market for stainless steel flat products through investment in modern, highly-efficient, and low-cost per tonne plant — a philosophy which also lies behind other BSC investment decisions in Sheffield, including its recent announcement of an £8m re-equipment of its razor blade steel manufacturing facilities.

In the private sector, the 11 years since nationalisation of the British steel industry in 1967 has seen a different emphasis, with the independent producers seeking their place in the sun by increased concentration on much more specialised markets where added value is higher.

To a very large extent the Corporation and the private steelmakers have now learnt to live side by side with each other, even though Corporation policies — as for example a few years ago in the purchase of scrap — can from time to time cause friction.

### Overlapping

The overlapping which existed on nationalisation has, however, very largely disappeared, firstly as a result of a series of tidying up operations and more recently as a result of deliberate moves away from BSC areas of activity by the private sector, which has concentrated its steel-making efforts on stainless steel bar, tool and high speed steel.

The Shepcote Lane plant, where much of the Corporation's stainless investment has been concentrated, was in fact transferred to the BSC from First Vickers, now part of the Johnson, Firth Brown group, shortly after nationalisation, with the BSC's alloy forgings section at River Don reverting to the private sector in return. The BSC's remaining interests in tool steel at Openshaw were acquired some years ago by the Sheffield group Edgar Allen, and the Corporation also handed over to the private sector some of its wire interests.

Some areas still exist where the BSC and the private sector are in competition, such as the production of low alloy steel, of which Dunford and Elliott, part of Lough, remains a substantial producer. The pattern very largely, however, is of two complementary sectors, each to some extent dependent on the other.

The path along the private sector has travelled to reach this position as a supplier of mainly specialist products, began with a series of mergers in the early 1970s leading to the creation of a number of bigger and stronger groupings. The motive in several cases was a desire to prevent possible further encroachment by the BSC into the private sector, but it also represented a response, too, to the need for larger units both to generate the resources for re-equipping with modern specialist plant, and to make the best use of it.

As a result of a series of transactions, two major groups, Johnson, Firth Brown and Dunford and Elliott (incorporating the former Brown Bayley company), emerged in the early 1970s, together with other smaller but still substantial groups, like Edgar Allen, Balfour. Apart from Lough, other non-Sheffield groups which now control steelmaking in the city include International Nickel, which acquired Daniel Doncaster, the high alloy producer.

Recent years have seen fewer major mergers of this kind, but the pressures on companies to continue the process of rationalisation have, if anything, intensified, because of the continued world steel recession and the associated problem of cheap imports.

With special steels producers around the world facing similar problems, the UK market has been used to offload supplies at prices sometimes as much as 40 per cent below those considered economic by UK producers. The main imports pressure has been coming from West Germany but low cost supplies have also been coming from other European countries and the Far East. Other new developing country producers have also emerged over recent years.

In some areas the industry has been operating at only 50 per cent capacity, and import penetration in the worst-hit sectors has been as high as 60 per cent. Yet at the same time UK access to one of its most important markets, the U.S., has been limited by restrictions, introduced in response to pressures from American producers, on imports of stainless, tool and high speed steels. In addition,

the industry has also had to cope with the steep rises in the cost of some of the exotic raw materials used to produce sophisticated alloy steels.

The moves which the industry has been forced to make to survive have inevitably included substantial manpower reductions. The total labour force has gone down over the past two-three years by around 5,000 to the present 8,000, with the reduction split more or less equally between redundancies and natural wastage.

At the same time companies have pressed ahead with investment aimed at increasing the efficiency of their operations. Among the biggest projects have been the introduction of two plants of massive new automatic GFM forging machines. The first has been installed by Edgar Allen, Balfour at its Manchester works at a cost of £4m, including ancillary equipment. The machine enables the company to produce a wide variety of rounds, squares and flats to much closer tolerances than were previously possible, opening up new product areas. A similar but bigger machine costing £11-£12m is being installed by Johnson, Firth Brown for commissioning next year at its Firth Brown works.

Improvements at the steel-making end have also been undertaken by a number of the Sheffield groups recently to ensure a higher quality steel for the more specialist markets being served. Osborn, recently acquired by the Aurora, and an important producer of stainless steel bar has put in Argon Oxygen Decarbonising equipment at its Bradford works. The process, which has also been installed as part of the BSC's new stainless development, involves blowing oxygen followed by argon through the molten steel, thereby producing a cleaner and higher quality steel.

Sanderson Kayser, the tool and high speed steel producer, is similarly working towards meeting demand for higher qualities of steel with the introduction of a second Electro Slag remelting plant at its Sheffield works, and at Neepsend, another tool and high speed steel producer, a melting shop development including a new electric arc furnace, is currently underway. Further ahead, several

companies are now looking at completely new methods of making the very expensive tool and high speed steels, using powder technology.

Many of the Sheffield groups have also been seeking to counter the strong imports pressure on their markets by moves to consume more steel internally in downstream product areas, in particular tools.

Thus, Neepsend, which has long occupied a specialist position as a manufacturer of tungsten carbide drill bits, has been seeking over recent years to build on its well-established Cintride brand name. A range of products for the do-it-yourself market has been developed, including long-life sanders and saws, and much of the company's recent investment and profit have been in the tool area. Sanderson Kayser is again planning to expand in tools, demand for which has remained surprisingly buoyant during the recession.

The sector has also come to realise that much more attention needs to be paid to servicing customers if the efforts of importers, several of whom maintained well-stocked warehouses in the UK, are to be matched.

Edgar Allen, Balfour, for example, has put all the warehouses, inherited as a result of the mergers which created the group together at Birmingham and established a three way computer link for stock and ordering between the warehouse and the two main factories at Sheffield and Manchester. Sanderson Kayser has similarly embarked on a policy of developing its own warehouses in Britain and overseas, the stocking them so as to be able to meet a wide variety of customer requirements quickly.

The sector, which has traditionally had strong links with the old Commonwealth, including in many cases, extensive manufacturing operations, such as Osborn's South African subsidiaries, have also begun to develop markets in Europe. In some cases direct links have been formed with big European steel groups for the supply of Sheffield steel, while in others the emphasis is on building up sales of finished products, and in particular, tools. New ways of exploiting the large North American market have also been

sought. Neepsend has recently acquired a Canadian company which is strong in semi-finished steel products.

There has also been some further regrouping within the industry, though most of the individual companies now claim that scope for further major mergers is now limited. Dunford and Elliott was taken over by Lough after an unwelcome approach from Johnson, Firth Brown. JFB has itself taken under its wing British Rollmakers Corporation at Crewe, bringing together its own forged steel roll capacity with BRC's cast roll facilities to create a single group able to meet most steel mill demands.

### Control

In a share swap JFB also exchanged its stake in Osborn for shares in Aurora, which has since acquired full control of Osborn. An engineering group, Aurora has grown rapidly over recent years and was already in special steels through the acquisition of two small specialist producers last year. Its plans for Osborn are not yet clear, but Aurora could now be an important catalyst for further change in Sheffield.

The main change which all the producers are awaiting, however, is an improvement in demand which will lift the pressure of imports and enable higher returns to be made. The industry is also hoping that when demand does pick up internationally it will be accompanied by an improvement in the performance of the British industries it supplies. The BSC is a big purchaser of equipment from the private sector which supplies it, for example, with steel rolls and cutting equipment. The motor industry's tool rooms are also a major market, along with the process plant industry and aerospace.

Largely as a result of the recession, however, Sheffield's independent steel sector has already taken a number of steps which have reduced its dependence on steel as such. When the upturn does come, many of the companies in the industry will be responding with a range of steel and engineering products.

Rhys David

### CONSULTANTS AND CONTRACTORS

#### Stainless Melting and Continuous Casting Plant:—

Consulting Engineers	White Young and Partners
Quantity Surveyors	Turner and Townsend
Architects	Denis Lister and Associates
Main Civil Contractor	R. M. Douglas
Structural Steelwork	Redpath Dorman Long
Electric Arc Furnace	Birlec
AOD Vessel (argon oxygen decarburising process)	Salem Engineering
Continuous Casting Plant	Distington Engineering
Slab Grinding Machines	Centro Maskin, Sweden

#### Stainless Coil and Sheet Plant:—

Consulting Engineers	Bylander Waddell Associates
Quantity Surveyors	Turner and Townsend
Main Civil Contractor	Redpath Dorman Long
Structural Steelwork	Octavius Atkinson and Sons
Rolling Mills and Process Lines	Loewy Robertson Engineering
Bright Anneal Furnace	Wellman Incandescent
Heat Treatment Furnaces	Priest Furnaces



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POLITICS TODAY

# Caught on the hop by Bremen

IT IS a truth universally acknowledged—or perhaps less so than it ought to be—that when the French say "oui, en principe," they mean 99 per cent no. But when the British say "yes, in principle," they mean 99 per cent yes.

That, in a way, was the trouble at the Bremen summit meeting last week. Mr. James Callaghan, the British Prime Minister, arrived expecting a result of the advance exchanges—President Valéry Giscard d'Estaing of France to demand agreement in principle on the creation of a European monetary system. That was one reason why some of the Press leaks before the meeting showed Mr. Callaghan in a distinctly bad temper.

In the event, however, President Giscard did no such thing. Instead he accepted a statement saying that the heads of government regarded the creation of a monetary stability in Europe as "a highly desirable objective." It is true that a fairly tight time-table was attached for discussions of the scheme designed to bring such a zone into effect, but Mr. Callaghan had little quarrel with that. The Prime Minister left Bremen for a few days in Britain a reasonably satisfied man.

And yet the dispute about "en principe" and "in principle" lingers on. It probably lingers in Europe. It certainly lingers in British politics: witness, for example, the speech by Mr. Edward Heath to the Conservative Group for Europe in London on Wednesday evening.

The point is that the Bremen agreement and the speed with which it was reached have caught the British political

parties completely off balance. Mr. Callaghan, of course, knew that it was coming, but it was only very recently that even he knew that it was coming quite so fast. He would have, presumably, had it delayed a little longer—let us say until the autumn by which time there might have been a general election and thus less chance of a reopening of Labour's European divisions doing the Party a result of the advance exchanges—President Valéry Giscard d'Estaing of France to demand agreement in principle on the creation of a European monetary system. That was one reason why some of the Press leaks before the meeting showed Mr. Callaghan in a distinctly bad temper.

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Sir Geoffrey Howe—initially he came out sounding distinctly lukewarm on Bremen.

smacks of Sir Harold Wilson's very least, the lack of a prior commitment raises the suspicions of one's partners and lessens one's bargaining power.

Mr. Heath is also right in insisting that it requires a political decision. Any number of technical solutions can be found to the questions of the transfer of resources or to the problems of keeping the weaker currencies in the snake. For example, instead of the weaker currencies having periodically to pull out, it could be the Deutsche Mark which would temporarily withdraw and return at a higher value—a solution now much canvassed by the Bundesbank, and it should be remembered that it was largely the opposition of the Bundesbank which was responsible for the failure of the negotiations in 1973. There is a change of opinion in Frankfurt which is there to be exploited. But it will only be exploited if there is a political will to do so. Without that will, which does now appear to exist in both Paris and Bonn, the British bureaucrats will go on talking about technical obstacles.

To be fair to Mr. Callaghan, he seems to have shown more resolution on this issue than many people might reasonably have expected a few months ago, which is one reason why, whatever he might say, Mr. Heath's remarks seem more directed against Mrs. Thatcher than against the Government. It is the Prime Minister's nature to be cautious, and it is the nature of the Labour Party that it needs to be treated with caution. But he does seem to have recognised the possibilities. There could be changes in the CAP as part of the negotiations on the monetary scheme. There could be further Regional and Social Funds. Above all perhaps there could be an external prop to impose greater discipline on the British economy, and that surely has something to do with the 5 per cent norm for wage increases in the next stage of the incomes policy.

In short, not only is there a chance to refashion (re-negotiate?) the Community more to our liking and ultimate benefit, but there is also a chance to use the negotiations to help put our own economic house in order. Whether the Prime Minister will be able fully to exploit that chance without giving the commitment in principle to enter the scheme is an open question. But it does seem odd that a Labour Government is now somewhat more committed to less negotiations on closer European integration than the Tories.

It will not have escaped notice either that the discussions on the Bremen Agreement might be going on during a British election campaign. The election in any case was destined to be dominated by economic issues, perhaps with the question of monetary policy playing a special part. The new Labour Government can only add a new and, in my view, thoroughly healthy dimension to that debate.

As to when precisely the election will be, readers will be looking closely at the result of the by-election in Manchester Moss Side this morning, and perhaps sparing a glance for the performance of the Liberals in Penistone.

Malcolm Rutherford

## Lukewarm

The first evidence of this came in the interview with Sir Geoffrey Howe, the Shadow Chancellor, on *The World This Week* on Sunday. Sir Geoffrey was in a dilemma and faced the hazards of instant reaction. He was called at short notice and knew very little about the agreement, the Press reports having been somewhat contradictory. (It is surely one of the more desirable reforms that government should inform the Opposition rather more about what is going on.) Still, he consented to appear and came out sounding distinctly lukewarm, but about Europe in general.

Sir Geoffrey has since given the matter more thought and is aware of the dangers of such an approach. On the one hand, like so many others, he believes that it would be no help to anyone for Britain to enter a scheme of monetary co-operation only to be obliged to withdraw a few months later because her economy could not stand the strain. But there is an even greater danger that if Britain stays out altogether and

the negotiations for the Coal and Steel Community, then by not being a member of the original Common Market. At the same time, the country has consistently underestimated the determination of the French and Germans to go ahead with it. The only way that can be sure of getting the kind of arrangement we want.

To take just two examples: we should never have had the present Common Fisheries Policy if Britain had been a member of the Community from the beginning; nor would the Common Agricultural Policy have been allowed to develop the way it has. The alternative to saying "yes, we'll go along with the discussions and come in if the terms are right" is

## Letters to the Editor

### Motorway madness

From Mr. R. Holland  
Sir—The Spanish chemical tanker catastrophe demonstrates conclusively the wisdom of ensuring motorways remain toll-free as they are in the UK. Having just driven home from Spain, through France, Italy and Switzerland I should like to bear witness to two observations I made.

In those countries which levy tolls on motorways, the secondary roads appear to be crowded with heavy lorries of all sorts. As the drivers seem to be anxious to reach certain target distances the quality of their driving leaves much to be desired.

Similarly motorways that operate toll systems appear to be grossly underutilised, particularly where these tolls are substantial as in France, where secondary roads have been buckled and cracked as they are continually pounded by a very heavy flow of lorries with heavier average axle weights than permitted in the UK. This reduces the safety of the secondary roads to very low levels, which at night are even more dangerous through the lack of "cat's eyes".

Every effort should be made to lobby European Governments to remove motorway tolls as they are totally obnoxious to the community as a whole, in that economic resources are misallocated and society has to bear the incalculable losses from accidents even on the magnitude of San Carlos de la Rapita.

Richard Holland,  
30, Crespigny Road,  
Hendon.

### The National Land Fund

From the Honorary Secretary, Heritage in Danger.  
Sir—The Treasury will not relish Mr. David Piper's illuminating and forthright exposure (July 11) of their shabby so-called trusteeship of the memorial to the second world war dead represented by the National Land Fund.

And now we are told that a close-knit coterie of officials are preparing a guard action to frustrate the enlightened recommendations of the House of Commons Select Committee which investigated the Treasury's shortcomings.

If this is the way in which other sectors of our national affairs are conducted by bureaucrats, no wonder, Sir, that all of us are on a slippery slope to perdition.

Hugh Leggatt,  
30, St. James's Street, SW1.

### Staffing at Kenwood

From the Vice-Chairman, The Friends of Kenwood.  
Sir—Sir Frank Marshall comments in his recent report that "the Greater London Council has forfeited the confidence of the public." This is certainly the case so far as the arts are concerned. The Liverpool Bequest at Kenwood has been left with only three curators and the attendant staff have been reduced from 23 to 17 due to natural wastage. As a consequence a number of rooms have been closed from time to time for compelling reasons of security. This is despite the fact that the GLC Arts Committee has repeatedly given assurances over the past few months that it publicly acquired works of art

would not be hidden behind locked doors.

When one considers the immense cultural and financial value of the Liverpool Bequest at Kenwood, the GLC's trusteeship obligations to the general public for conservation and accessibility should carry overriding weight. There is surely urgent need for the Arts Committee to order that Kenwood will be transferred from the direct control of the architects' department and given a degree of autonomy and independence (in the same way as the Festival Hall) and consequently allowed to replace the assistant curator who has left.

Moreover, since the GLC is willing to become a custodian for additional works of art accepted by the Treasury in satisfaction of estate duty (such as the Gainsborough painting "Greyhounds Coursing a Fox" from the Mentmore collection) then surely it must once and for all designate Kenwood as a museum rather than an historic building, or else forfeit such privileges in the future.

George J. Levy,  
119, Mount Street, W.1.

### Local authority spending

From the Chairman, Salop County Council.  
Sir—May I correct what would otherwise be an incorrect inference from remarks attributed to me by your contributor Mr. C. Cooper (July 5).

The statement to which he referred, "Whatever our prime function of this council is not to cut expenditure nor to keep rates down. These are ongoing objectives achieved by efficient management, monitoring and financial control. But the

### Rehabilitating Bukharin

From Mr. K. Coates.  
Sir—Your report (July 11) on the campaign to "rehabilitate" the old Communist leader, Nikolai Bukharin, was interesting.

The letter from Mr. Yuri Larin (not Larin) to which your correspondent refers, was in fact circulated by this foundation, and has attracted support not only from the Communists, but also from a number of distinguished Socialist and scholarly independent writers. For instance, the appeal to Mr. Brezhnev has been endorsed by the chairman of the British Labour Party, Joan Lester, and several of her colleagues on the Labour Party Executive. It has received the support of Mr. Robert Fontillon, the international secretary of the French Socialist Party, not to mention M. and Mme. Jules Moch.

It should be understood that at the time of Bukharin's execution many Socialist and Labour leaders expressed a belief in his guilt. It is enough to look at the writings of Sidney and Beatrice Webb to see how many Socialist spokesmen were deceived during those tragic days.

We do not think that the pressure to review the Bukharin case implies any particular attitude towards the cases of the dissidents who are currently under trial. Naturally, all the political organisations and individuals who have endorsed our appeal will speak for themselves on this matter. We are not yet able to give a considered view on the case of Ginzburg, because we have not heard either the full argument or the prosecution of the case. It is the duty of the defence of both cases to be wise to examine the evidence or lack of it.

### Lame duck odyssey

From the Director, Centre for Innovation and Productivity, Sheffield City Polytechnic.  
Sir—Geoffrey Owen's article (July 10) on the Meridians saga prompted me to recall that you kindly published my letters in November 1972 and March 1973 suggesting that the £5m grant to BSA could be put to better use by giving 100 small firms a grant of £50,000 each. I was bowled down by other correspondents as unpatriotic, spineless and heartless. My forecast that the money would be wasted has proved true. Unfortunately, the sum turned out to be a lot more than the original £5m; enough to give 500 small firms £50,000 each, in fact. And that £25m is not even chickenfeed compared with the astronomical sum, that have been and still are being handed out to even lammer lame ducks.

### Don't shoot the pianist

From the Director, The Henley Centre for Forecasting.  
Sir—The increase in the supply of forecasts has led to widespread comment on their reliability and usefulness. Your own editorial of July 2 and Mr. Riddell's Lombard column of July 6 raised just these issues.

After more than 20 years in forecasting I am still astonished at the frequent failure to recognise that every decision 'life rests upon a view of the future, whether intuitive or highly formalised. In other words, forecasts are indispensable and the bigger the decision, or the risk, then the greater the analysis of future uncertainty needs to be.

### Public sector accounting

From the Conservative Prospective Parliamentary Candidate for Hammer-smith North.  
Sir—The problem of the lack of public sector accounting credibility will not go away. The report (July 7) of the Price Commission on the South of Scotland Electricity Board provides yet more evidence of the arbitrary and capricious accounting methods in use. Were these generally known, they would not be generally accepted.

The lay public are just beginning to be made aware of the fact that the declared standards of the Chartered Institute of Public Finance and Accountancy are too often ignored by an institution's membership in the field.

The names of public sector bodies' trustees and accountants frequently precede respectable abbreviations. Thus may they profess accountants' independence, who also share the "honour" of would-be civil servants.

Jeremy G. A. Cripps,  
21, Mill Lane, N.W.6.

### Decisions on key projects

From the Conservative Prospective Parliamentary Candidate for Welwyn and Hatfield.  
Sir—While welcoming the decision (July 11) by the Government to proceed with the HS146 project one cannot help but speculate at the motives. For over four years there has been continual pressure to get this aeroplane into production, and yet this has been met by ministerial indecision with development work kept on ice "as the workforce in Hatfield has run down and the morale of the remaining has lowered.

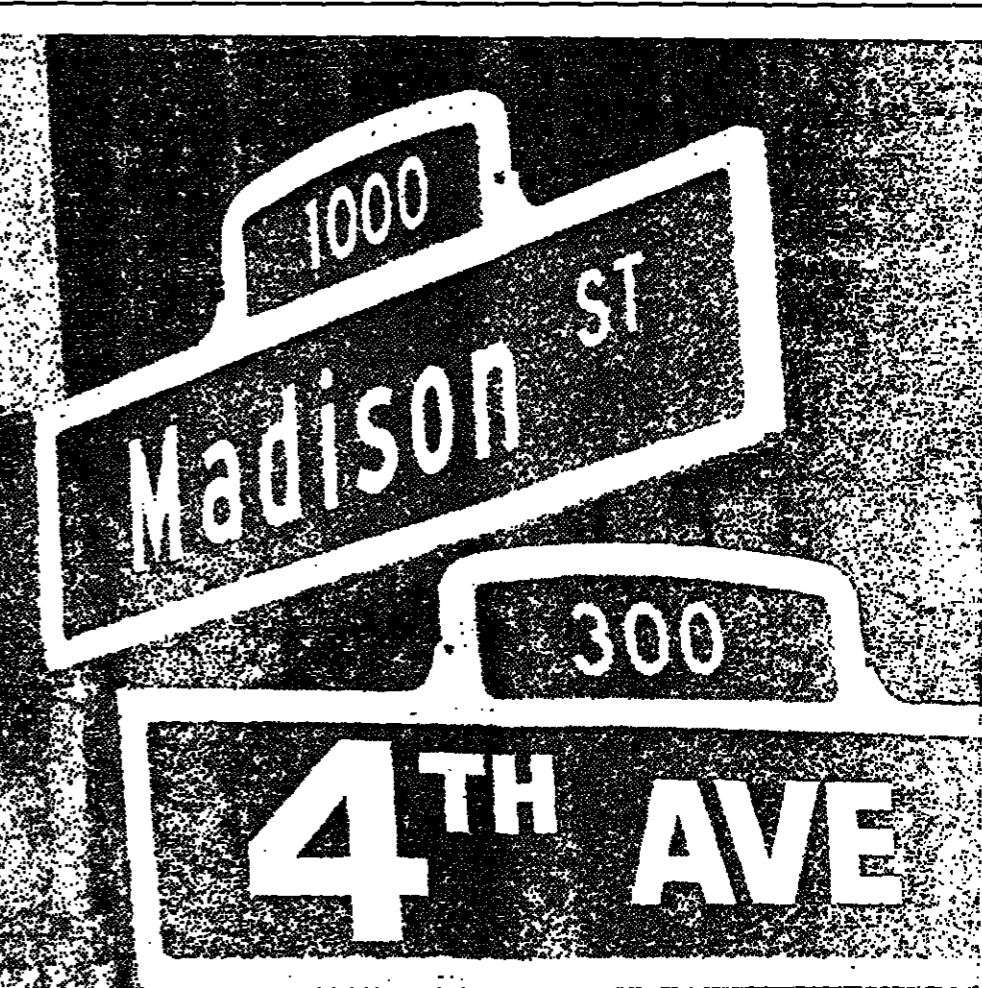
### Not met with approval

From the Area Manager, Western Area Office, Sun Life Assurance.  
Sir—I would like to extend the scope of Mr. Hatfield's complaint (July 5). What are we going to do with this "met with" nonsense? Why waste time and space meeting with someone when all you need to do is to meet them?

R. L. Lund,  
5th Floor, St. Lawrence House, 29-31 Broad Street, Bristol.

### Today's Events

Balance of payments figures (June).  
Retail price index (June).  
Building societies' receipts and loans (June).  
Dr. David Owen, Foreign Secretary, addresses East Midlands Labour Party public meeting, Coalville, Leicester.  
Lord McCarthy, who heads the inquiry into the Post Office Engineering Union's claim for a 35-hour working week, due to meet both Post Office and union officials.  
London shop stewards of Transport and General Workers' Union meet to consider co-ordinated action on industrial civil servants' pay claim.  
National Union of Railway-men's annual conference ends Llandudno.  
The Queen visits Bracknell new town.  
Duke of Edinburgh opens final phase of new development at British Steel Corporation works, Sheffield.  
Verdict expected at Glasgow Sheriff Court in case of Sir Hugh Fraser, deputy-chairman, Scottish and Universal Investments, and four others, charged with offences under the Companies Act.  
Sir Peter Vaneek, Lord Mayor of London, and his Sheriff attend Spastics Society banquet, Guildhall, E.C.2.  
International Organisation of Consumers Union's congress ends, Imperial College, S.W.7.  
PARLIAMENTARY BUSINESS  
House of Commons: Private Members' Bills.  
COMPANY RESULTS  
Final dividends: Elliot Group of Peterborough, Rothmans, International, Vintor Group, Wallis Fashion, Interim dividends: Dewhurst and Partner, Yule Catto.  
COMPANY MEETINGS  
Associated British Foods, Connaught Rooms, W.C. 11, E.C.4.  
(John) Associated, Nottingham, 12, Dentsply, 40, Broadwick Street, W. 12.05. English and International Trust, 117, Old Broad Street, E.C.2. 2.30. Alcan (London), 22, Hanover Square, W. 3. Westbrick Products, Exeter, 12.



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# Howden Group earnings trebled at 15.3p

TAXABLE PROFIT of Howden Group, Glasgow-based engineering concern, increased from £4,045,555 to a record £12,045,470 for the year to April 30, 1978, and with a sound order book and liquidity position, Sir Norman Elliott, chairman, anticipates further satisfactory results for the current year.

At the half-year stage profit was little changed at £1.5m (15.3p) and directors anticipated that the full-year's profits would be in line with last year.

Earnings per 25p share are stated to be up from 15.3p to 15.3p, reflecting in the main the significant increase in earnings anticipated in the chairman's statement for 1977-78 and the elimination of minorities in Howden Parsons in the second half.

The final dividend, absorbing £4,389,589 (£18.81), is raised from 2.73p to 3.15p net, lifting the total from 3.60p to 4.08p, costing £541,316 (£25.75p).

Closure costs of the overseas companies expressed in sterling would have been about £400,000 higher but for the appreciation of the pound over the year, Sir Norman says.

There was an extraordinary debt for the period of £137,601, covering the final closure costs on reorganisation of Howden Holma Refrigeration Group, compared with £698,011 last year, and the balance available came out as £2,242,077 (£91.59p).

Net borrowing at year-end, after payment of the cash consideration of £5.5m for the minority shareholding in Howden Parsons was £5.5m (£23.5p).

As of April 30, 1978, the company had a 26 per cent minority interest in Howden Group South Africa for a cash consideration of £1,137,760 (£70.10p) failed to meet sufficient security at the meeting of minority holders on July 4 last and the meeting was adjourned until July 25 while revision of the terms is being contemplated.

Aircrow Howden, after a very good year and a further increase in profits continues to expand its activities throughout world markets for fans and specialised air movement products.

The company's aggressive policy of increasing world sales of its products resulted in an appreciable increase in export business, the chairman adds.

Results of Carter Howden reflected the downturn in the medium fan market, but there are now signs of a revival in demand.

Howden Compressors improved its operational performance with increased turnover and a useful profit contribution, and with the order book running at a satisfactory level it is anticipated that the current year will show a further improvement.

Compressor sets for marine applications were a feature in the orders taken during the year.

Howden Engineering had a less satisfactory year due to the low level of business in the marine and offshore industries, but Blease Medical Equipment had a good year with overseas business continuing to be a feature.

Howden Supertherm performed well but results of Andrew Fraser and Co. continue to reflect the downturn in the British market for hydraulic equipment. More encouraging signs were in evidence towards year end.

The Howden Holma Refrigeration Group has completed the planned contraction in the scale of its operations and losses have been reduced. The long term contracts involving the erection of cold stores in the Middle East which have been the main factor in the adverse results of this group have now been completed and the group in the future will concentrate on its traditional business in the supply of industrial refrigeration systems and plant.

Performed well Howden Group North America had a reasonable year. The results of Howden Canada, although lower than the previous year, still represented a substantial contribution to the group's profits. In order to have available an alternative source of turbine generator technology, Howden Canada has made arrangements with BBE Canada to acquire a 25 per cent share in the company.

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Reviewing the year's operations Sir Norman Elliott, chairman, said that the company had a satisfactory contribution with profits rising from major contract completions off-setting the effects of increased manufacturing activity. Orders received continued the emphasis on export business.

Godfrey Engineering Company, Montreal, had another good year, the emphasis being on aircraft ground support equipment and Howden Group Australia continued to progress, Sir Norman states.

James Howden and Co. Australia reported another satisfactory year and was successful in obtaining a major contract for fans and preheaters for Earing power station, New South Wales.

Godfrey Engineering (Australia) made a useful profit contribution but did not obtain the expected profit level. The company has continued to strengthen its position in restricted markets, he adds.

Major contract Howden Refrigeration Pty. reported a further advance in profit and has been successful in securing important contracts in the food freezing industry.

The Australian firm, James Howden Asia, based in Hong Kong, formed a new company, James Howden South Africa, to handle the company's business in that country.

Howden South Africa continued to progress and increased its profit performance. Attack Engineering Pty. had a satisfactory year despite the difficult conditions in the pump market, and Howden Engineering South Africa Pty. made further progress in the air pollution control field.

comment After net growth in the previous year, pre-tax profits of Howden Group have once again moved up, albeit by a modest 5 per cent. The main interest, however, lies below the line where earnings per share have more than trebled as a result of the Howden Parsons share purchase.

Attributable profits will further improve if the group succeeds in acquiring the outstanding 26 per cent of its quoted South African subsidiary. Total sales are unchanged at about £55m, but losses are down at Howden Holma Refrigeration and a steady improvement elsewhere has offset the reduced profits from Canada. In the UK improved margins and a bigger order book has helped the previously loss making Overseas company back into profit. With write-offs at Holma now out of the way and a return to the black anticipated in the current year, overall profits should now show a significant increase. At 62p the shares stand on a p/e of only 3.8 and yield 10.5 per cent.

Upsurge at Bristol Channel After depreciation of £226,235 against £278,061 profit of Bristol Channel Ship Repairs jumped from £182,402 to £358,724 in the year to March 31, 1978. Again there is no tax.

The dividend is up from 0.2025p—adjusted for the one-for-10 scrip issue—to 0.2075p net per 10p share. A further one-for-10 scrip issue is proposed.

Midway rise for Tribune Inv. Trust For the June 30, 1978, six months, gross revenue of Tribune Investment Trust came to £10,571 compared with £501,571 and pre-tax revenue was £548,403 against £438,391 previously.

Net profit came out at £31,523 (£245.52p) and earnings per share are shown at 96.5p against 80.7p last time after adjustment for the four-for-one scrip issue and the subdivision from 50p to 25p units.

The interim dividend is ahead from an adjusted 0.45p to 0.55p net. Last year a 0.55p final was paid on revenue of £0.70m.

Directors say figures for the two periods are not comparable because of the incidence of dividend payments.

Hall & Ham River higher From turnover of £78,99m compared with £73,19m an after interest up from £186,659 to £228,513, taxable profit before group relief of Hall & Ham River climbed from £3,22m to £4,63m in 1977.

Difficult start for John J. Lees The first quarter of the current year has not been an easy one for John J. Lees, confectioner, with a company having experienced industry-wide difficulty of resistance, Mr. A. D. Sim chairman, says in his annual report.

however, Mr. Sim feels there is no indication that the worst is over and if this proves to be the case the remaining nine months will be able to achieve roughly the same as the last March 31, 1978, £132,511 pre-tax figure.

Unfortunately, raw materials with the exception of coconut, stabilised and taken in con-

junction with the increased efficiency from machinery modernisation, the company is able to compete effectively and retain its share of the market at a reasonable profit margin.

In the year just ended £42,000 was spent on new offices and a similar amount was outlayed on writing off trading losses of an overseas subsidiary totalling £32,586, pre-tax profit of Diamond Stylus Company jumped from £126,139 to a peak £204,061 in the March 31, 1978 year.

At halfway profit was up from £23,339 to £38,419. Turnover for the year was £1,44m (£1.55m) and after tax of £106,269 (£1.75m) net profit was £97,809 (£1.58p).

Earnings per 10p share are shown at 4.67p (£3.08p) and the final dividend of 0.80p takes the total from 0.5810p to 0.884p net. A one-for-two scrip issue is proposed.

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# UGI recovery continues

EXPECTATIONS FOR the results of United Gas Industries in the year ended April 2, 1978, have been fully realised and profits before tax and extraordinary items show a rise from £1.44m to £2.04m on sales of £45.81m against £36.60m.

Profits in the first half had increased from £507,000 to £766,000 and the directors anticipated that the year's results should be an improvement on the previous year.

As forecast at the time of last September's rights issue, the dividend total is 3.5p net per 25p share with the recommendation of a 2.64p final dividend. The previous year's total was 3.25p.

Earnings per share before extraordinary items are given at 9.2p (3.1p) and 7.9p (5.4p) fully diluted. Assets per share are 50p against 60p.

Meters, control equipment and bellows contributed £1.3m (£1.24m) to profit before tax and loss interest and electricity applications, £0.1m (£0.43m) and other, £0.14m (£0.17m). Other overseas subsidiaries contributed £1.06m (£0.55m) to meters, control equipment etc. profits.

Included in the year's profit is £112,000 earned by Pinter-Barnag Gasftechnik GmbH (PBG), the sale of which company was announced on May 16. A loss similar in amount to the PBG profit and largely unrelated to the company has arisen during the year as a result of the reorganisation of UGI's thermostat business in the UK.

The decision to sell PBG was taken because of its uncertain future and also the group's currency exposure and the consequent difficulties associated with the company, the directors say. At the date of sale group guarantees on behalf of PBG totalled £2.08m.

The current year's figures should be close to 50p giving the company a p/e of 6.5 and a yield of 10.9 per cent.

comment United Gas Industries intends to replace the £10.0m loan to Pinter-Barnag Gasftechnik, the West German subsidiary it sold after year end, by eliminating the losses of roughly equal amount recorded by UGI's thermostat business in the UK. Included in the thermostat losses in 1977-78 are £1,000,000 of losses in the UK. The general appliance companies performed well and gross margins are starting to rise. Levels of activity are expected to be high in the summer and by winter months. The cool opening to the current summer season augurs well for the 1978-79 figures.

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to £10.0m is dealt with as an extraordinary item which also includes a credit of equal amount transferred from reserves.

The group's currency borrowings have been almost completely repaid and this together with the proceeds of the rights issue has left the group in a strong financial position, the directors add.

At THE AGM of Debenhams yesterday, the chairman, Sir Anthony Burney told shareholders: "rest assured you can look forward to a satisfactory outcome." And after the meeting the chief executive, Mr. Thornton said profits would be well up this year.

Debenhams is budgeting for a 5 per cent increase in sales volume this year and Sir Anthony said "we believe we shall achieve this." Mr. Thornton added that an important element of this was an increase in clothing sales of 25 per cent. Sales of women's clothing had risen 35 per cent and the prestige store, Harvey Nichols, was devoting more of its floor space to clothing.

Sir Anthony said the food division had responded to treatment and would return to profit this year. But the photographic retailer, was still making losses. Debenhams would "undoubtedly remain in this field for the time being, but we have not decided how we shall do this," he said.

Sales of the West End stores, Debenhams and Swan and Edgar were doing better, along with those in the provinces. The company had received planning permission for a new store in Edinburgh with a selling space of at least 70,000 sq ft.

comment The Board would consider what increase in distribution would be justifiable—bearing in mind the other requirements of the business—said Sir Anthony. The Government relaxed its dividend policy.

The shareholders at the meeting were concerned on the whole about the poor appearance of one of the shops and the high level of discounts in the current sale, Sir Anthony suggested that the

publicity created by the sale was well worth the discounts.

But one shareholder gave Sir Anthony a rougher ride, trenchantly objecting to the sale and leaseback of Debenhams freehold properties and warning of rent reviews to come. He also recommended the Board sell off the food operation and voted against the reappointment of the managing director of the photographic retailing division.

Mr. Thornton later said that he did not envisage freehold property being sold off, but 100 per cent of total property assets.

Setback for Trafford Carpets Following the sharp recovery in the carpet market, Sir Anthony said that the company had received planning permission for a new store in Edinburgh with a selling space of at least 70,000 sq ft.

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## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## NORTH AMERICAN NEWS

## Colgate growth rate slackens

By Our Own Correspondent

NEW YORK, July 13. COLGATE-PALMOLIVE, the large detergents and toiletries manufacturer, today reported earnings slowing in the rate of earnings growth in the second quarter of 1978.

Second quarter net income increased from \$45.2m to \$47.7m on a sales rise from \$956m to \$1.04bn. Earnings per share increased from 56 cents to 60 cents.

For the first half of the year, net income increased from \$77.5m in 1977 to \$85m (\$0.97 a share to \$1.04 a share). Sales revenues increased from \$1.9bn to \$2.1bn.

Commenting on the figures, Mr. David Foster, the chairman and chief executive, said that the rate of earnings growth was slower than for sales, reflecting current heavy spending for new product introductions and higher interest expenses.

The company's best-known products include Ajax cleaner, Colgate and Ultra-Brite toothpaste and Helena Rubinstein cosmetics.

## Solid progress at General Electric

NEW YORK, July 13. Continued strength throughout the group gave General Electric Company higher second quarter earnings of \$319.4m compared with \$271.9m or \$1.40 a share, against \$1.20. Revenue rose from \$4.49bn to \$5.07bn.

Earnings for the half year were up from \$487.5m to \$567.2m, or \$2.40 a share, on revenue of \$9.6bn compared with \$8.63bn.

Second quarter earnings continued to show good gains, particularly by lighting, housewares and audio products.

Industrial products and components earnings were also well up from the 1977 quarter on higher revenues from all operations, with businesses serving construction markets and transportation systems particularly strong.

Agencies

## U.S. QUARTERLIES

## ABBOTT LABORATORIES

Second Quarter	1978	1977
Revenue	363.0m	304.9m
Net profits	36.2m	23.0m
Six Months		
Revenue	695.8m	688.4m
Net profits	68.1m	53.2m
Net per share	1.14	0.89

## J&amp;J OF NY

Second Quarter	1978	1977
Revenue	9.2m	7.5m
Net profits	1.53	1.25
Six Months		
Revenue	17.7m	14.7m
Net profits	2.85	2.45

## DIAMOND INTNL.

Second Quarter	1978	1977
Revenue	255.0m	227.0m
Net profits	12.4m	11.9m
Net per share	1.06	1.02
Six Months		
Revenue	486.0m	432.0m
Net profits	20.5m	21.0m
Net per share	1.75	1.80

## Major commercial banks boost quarterly profits

By STEWART FLEMING

MAJOR U.S. commercial banks are reporting strong earnings gains in the second quarter, reflecting big increases in interest-bearing assets. But there are questions on the extent to which the leading New York banks will match rises being reported from regional financial centres.

Following the recent announcement by Mellon National Bank of Pittsburgh of a 20 per cent gain in second quarter earnings, Crocker National, one of the top five California banks, announced a gain of 35 per cent in its second quarter. But the New York-based J. P. Morgan, the fifth largest U.S. bank, disclosed that its second quarter earnings increased by just 10.4 per cent.

J. P. Morgan, which is the holding company for Morgan Guaranty Trust, had second quarter income before securities transactions of \$55.4m, an increase of 10.4 per cent over the \$50.2m earned in the same period of 1977.

For the first half, its earnings are up 15.3 per cent to \$2.53 a share compared with \$2.45 a share in the first half of 1977. Net income in the period was \$114.9m against \$99.7m.

Marine Midland Bank, the company in which Hongkong and Shanghai Bank is taking a 51 per cent stake, today reported a 57 per cent rise in operating earnings before securities transactions.

Marine Midland, which is a leading New York bank and the 13th largest bank in the country,

Second quarter net income of Chase Manhattan Corporation before securities transactions rose from \$28.6m to \$47.1m, or from 89 cents a share to \$1.31, agencies report. This lifted net income for the six months from \$55.9m or \$1.74 a share to \$88.1m or \$2.51

against \$28.1m previously. Net after securities transactions stood at \$25.5m or \$1.59 against \$25.6m or \$1.76. For six months net before securities transactions reached \$56.8m or \$3.55 a share against \$30.1m or \$3.44. Net after securities transactions of \$51m or \$3.19 compared with \$50m or \$3.44.

Mr. Johnson said that the increase partly reflected held over business from the first quarter, when severe weather conditions held down sales and contributed to an earnings decline of 31 per cent from the 1977 first quarter.

This dramatic turnaround puts IC Industries ahead for the first six months with earnings of some \$39m compared with \$37.7m in the first half of last year. Record sales revenues of about \$865m in the 1978 second quarter, up 15 per cent from the \$482.3m in 1977, brings revenue to about \$1bn for the year to date. "This leads us to believe we'll break \$2bn in sales this year," Mr. Johnson said. Last year the company reported sales of \$1.87bn.

IC recently announced that it was to go ahead with its \$55 a share offer for the food processing company Pet Incorporated. This followed an announcement that Pet and Hardee's Food Systems would not proceed with their planned merger. The move is part of IC's strategy of diversifying away from railroad operation and into consumer product areas.

## IC Industries forecasts record

By OUR FINANCIAL STAFF

IC INDUSTRIES was able to overcome a slow first-quarter start with a 21 per cent earnings share increase in the second quarter, according to Mr. William B. Johnson, the chairman. He said that 1978 profits would be materially better than last year's record results, but the company probably would not be able to maintain the record pace of the second quarter.

Based on preliminary figures, the diversified holding company with interests in transport industrial and consumer products, real estate and financial services earned some \$29m or \$1.62 a share for the three months ended

June 30, Mr. Johnson said. This is up from \$23.4m or \$1.38 a share in the first quarter of last year's second quarter.

Second Quarter	1978	1977
Revenue	113.0m	97.0m
Net profits	10.9m	9.4m
Net per share	1.22	1.08
Six Months		
Revenue	215.3m	188.2m
Net profits	20.0m	17.6m
Net per share	2.23	1.99

Kaiser Aluminum & Chem.

Second Quarter	1978	1977
Revenue	692.2m	647.0m
Net profits	52.5m	40.3m
Net per share	2.61	2.01
Six Months		
Revenue	1,260m	1,220m
Net profits	77.3m	64.2m
Net per share	3.51	3.19

NAT. DETROIT CORP.

Second Quarter	1978	1977
Revenue	15.9m	13.6m
Net profits	1.34	1.13
Net per share	31.0m	25.4m
Net per share	2.61	2.10

REPUBLIC OF TEXAS CORP.

Second Quarter	1978	1977
Revenue	16.3m	36.9m
Net profits	1.39	3.15
Net per share	30.7m	48.0m
Net per share	2.62	4.09

RAYBEON

Second Quarter	1978	1977
Revenue	\$34.4m	712.0m
Net profits	38.98m	29.48m
Net per share	1.26	0.96
Six Months		
Revenue	1.80m	1.37m
Net profits	71.59m	52.52m
Net per share	2.31	1.71

TEXAS COM. BANCSHARES

Second Quarter	1978	1977
Revenue	15.2m	12.4m
Net profits	1.14	0.93
Six Months		
Revenue	29.9m	23.9m
Net profits	2.24	1.80

WYNN POOL CORP.

Second Quarter	1978	1977
Revenue	619.1m	507.6m
Net profits	34.4m	27.7m
Net per share	0.95	0.76
Six Months		
Revenue	1.1bn	948.2m
Net profits	59.6m	52.5m
Net per share	1.65	1.45

Earnings rise at Burroughs

NEW YORK, July 13.

BURROUGHS CORPORATION announced net earnings for the second quarter of \$1.41 a share compared with \$1.23 last time. Total net increased to \$57.4m from \$49.5m. Sales of \$593.7m compared with \$514.5m previously.

Net earnings for the first half totalled \$90.9m or \$2.23 against \$77.9m or \$1.93. Revenue of \$1.1bn compared with \$957.4m.

Mr. Paul S. Mirabito, the chairman said that incoming orders for the second quarter "continue to show good growth, increasing by 17 per cent over the second quarter of 1977."

Worldwide backlog also continued to increase over the beginning of the year, reaching record levels at the end of the six-month period.

Tycos files suit

Tycos Laboratories has filed suit against Cutler-Hammer alleging that its directors conspired with Koppers Company in a series of stock transactions designed to benefit the directors instead of the shareholders. AP-DJ reports from Milwaukee.

RCA ahead

RCA, the leading U.S. communications and electronics group, posted its sixth successive quarterly earnings gain today a rise of 12 per cent to \$73.2m from \$70.1m in the second quarter of 1977, our financial staff writes. Earnings per share rose from 92 cents to \$1.02 and sales for the quarter increased 13 per cent to \$1.61bn from \$1.43bn in the same quarter a year ago. First-half earnings are also up 12 per cent at \$133.2m, or \$1.74 a share, compared with \$118.6m, or \$1.55 a share. Profits of its Hertz car rental business rose by 26 per cent.

A T & T services

The Federal Communications Commission (FCC) is to seek to expand the types of services that American Telephone and Telegraph can offer its customers, AP-DJ reports from Washington. The Commission tentatively voiced support for staff proposals that would among other things, start discussions with the Justice Department to change a consent decree that hinders AT & T's attempt to offer services that may involve data processing. The Commission also voiced support for a staff proposal to change the way the Commission determines whether equipment is communications equipment and needs a tariff filed or is data processing equipment which does not need a tariff.

EUROBONDS

D-Mark sector weakens

FINANCIAL TIMES REPORTER

THE D-MARK sector took another sharp turn for the worse yesterday as the Bundesbank came into the domestic capital market to buy more bonds than in any day since 1975.

In the dollar sector there was some late afternoon uneasiness in the wake of the statement by chairman Miller of the Federal Reserve indicating a further tightening of U.S. monetary policy. But basically dealers in London seemed to be waiting for an overnight lead from the U.S. bond market, following publication of the latest weekly U.S. money supply figures.

According to some dealers,

floating rate notes (FRNs) continued a shade easier, though there are also records of substantial buying orders coming into the market and some price mark-ups.

The yen bond market continues to weaken. Two borrowers, Spain and Electricite de France, are reported to have postponed their plans to issue bonds in September. The reason quoted for the postponement was that recent weakness of the market would make the borrowing more costly.

The price of the Bunds consecutive record year," Mr. J. Paul Lyle, the chairman and chief executive said.

Stronger margins help profits at Teledyne

BY OUR OWN CORRESPONDENT

NEW YORK, July 13.

TELEDYNE, A leading conglomerate with interests ranging from aviation to insurance, and one of Wall Street's hottest stocks this year, today announced that second quarter earnings had more than doubled.

Teledyne's shares have risen from \$69 to a peak of \$120 this year and closed yesterday at \$99 as investors and speculators ran the price up in anticipation of surging earnings. Those prospects were confirmed when the company disclosed that second quarter net income had increased

from \$27.6m in the second quarter of 1977 to \$65.8m. Sales revenue rose to \$831m. For the first half, net income is 59 per cent higher at \$118.4 compared with \$74.2 in 1977 (\$9.04 a share against \$5.62 a share).

Sales revenue totalled \$1.2bn against \$1.1bn. Improving profit margins in the company's industrial divisions, which produce gasoline and diesel engines, and the machinery and machine tools, have been one factor behind the quarter net income had increased

from \$69 to a peak of \$120 this year and closed yesterday at \$99 as investors and speculators ran the price up in anticipation of surging earnings. Those prospects were confirmed when the company disclosed that second quarter net income had increased

from \$27.6m in the second quarter of 1977 to \$65.8m. Sales revenue rose to \$831m. For the first half, net income is 59 per cent higher at \$118.4 compared with \$74.2 in 1977 (\$9.04 a share against \$5.62 a share).

Quebec launches \$500m Eurocurrency loan

BY MARY CAMPBELL

QUEBEC PROVINCE has launched a \$500m 10-year Eurocurrency loan, mainly to prepay a \$300m loan arranged just over a year ago. The remainder of the new loan will go into the Province's consolidated fund for general purposes.

The terms of the loan involve a 2 per cent margin over interbank rates for the first two years of the 10-year final maturity and a 3 per cent margin for the last eight years. There is a grace period of five-and-a-half years before repayments start.

The mandate to arrange the loan has been awarded to a group of six banks, headed by Orion. The other five are all Canadian. By comparison with last year's loan, in which major U.S. banks figured prominently, there is only one U.S. bank, Chemical Bank, in the 22-strong management group this time.

The four French banks in the group include the Credit Agricole, believed to be making its first appearance in the management group for a major Eurocurrency loan.

The main terms of the current loan are considerably more

Increase at Mead

Mead Corporation, the furniture, paper, and metal products group, announced net earnings for the second quarter of \$1.26 a share against \$1.18, total net of \$21.3m compared with \$28m. Sales of \$390.5m, increased from \$432.3m. First half net of \$52.1m, or \$2.24, compares with \$47.6m or \$1.97. Sales of \$1.1bn increased from \$868.6m.

Reynolds Metals

REYNOLDS METALS announced net earnings for the second quarter of \$1.50, reports AP-DJ. Total net increased to \$44.2m from \$33.7m. The net total includes foreign currency translation loss of \$2.8m or 15 cents against a gain of \$400,000 or 2 cents a year ago. Sales of \$714.7m compare with \$682.7m.

Sperry Rand forecast

SPERRY RAND CORPORATION, the computer and business machine company, expects record sales and profits in fiscal 1979 with net income in the range of \$5.20 to \$5.30 a share, company executives said, reports AP-DJ from New York.

In the fiscal year ended last March 31, Sperry earned \$176.6m or \$4.60 a share on a fully-diluted basis, on revenue of \$3.7bn.

"The way the first quarter figures are coming in it looks like we will have our seventh consecutive record year," Mr. J. Paul Lyle, the chairman and chief executive said.

FTC to probe Kaiser Cement, Medusa plan

OAKLAND, July 13

Kaiser Cement Co. and Medusa Corporation of Cleveland said they have been notified by the Federal Trade Commission (FTC) that the Agency has initiated a preliminary investigation of the proposed merger of the two companies.

Officials of Kaiser Cement and Medusa said they intend to cooperate fully with the FTC inquiry but they do not believe there are any grounds under antitrust laws for a challenge of the planned merger since the two companies serve entirely different geographic markets and customer groups.

As previously announced, special meetings of the Boards of both groups have been scheduled for tomorrow to resolve certain remaining matters and to execute a definitive merger agreement which must be approved by shareholders of both companies.

This announcement appears as a matter of record only.

TATE & LYLE, LIMITED

£30,000,000

10 year syndicated loan facility

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Lloyds Bank International Limited

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CONTINENTAL BANK

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

July, 1978

## Notice of Mandatory Redemption

### The Rural and Industries Bank of Western Australia ("the Bank")

#### A\$30,000,000 6½ per cent. Guaranteed AS/DM Bonds due 1987

1. NOTICE IS HEREBY GIVEN pursuant to the provisions of the Trust Deed dated 10th August 1972 constituting the above Bonds, that A\$30,000,000 nominal of the Bonds is due for mandatory redemption on 15th August 1978. Pursuant to Clause 5 (b) of the Terms and Conditions Applicable to the Bonds, 148 Bonds have been purchased by the Bank and A\$148,000 has been credited against the amount due for redemption.

2. The serial numbers of the Bonds due for redemption are as follows:

11	1512	2956	4182	5623	6887	8495	9883	11367	12586	14093	15488	16816	18465	20022	21469	22362	24521	26181	27296	28773
12	1520	3568	4200	5638	6895	8499	9887	11371	12596	14097	15492	16823	18465	20023	21471	22369	24522	26182	27300	28774
13	1528	3576	4208	5646	6903	8507	9895	11389	12608	14103	15511	16828	18473	20032	21479	22376	24523	26183	27308	28782
14	1536	3584	4216	5654	6911	8515	9903	11403	12616	14111	15519	16830	18478	20038	21487	22384	24524	26184	27316	28790
15	1544	3592	4224	5662	6919	8523	9911	11411	12624	14119	15527	16838	18483	20044	21495	22392	24525	26185	27324	28798
16	1552	3600	4232	5670	6927	8531	9919	11419	12632	14127	15534	16846	18487	20050	21503	22400	24526	26186	27332	28806
17	1560	3608	4240	5678	6935	8539	9927	11427	12640	14135	15542	16854	18493	20056	21511	22408	24527	26187	27340	28814
18	1568	3616	4248	5686	6943	8547	9935	11435	12648	14143	15550	16862	18497	20062	21519	22416	24528	26188	27348	28822
19	1576	3624	4256	5694	6951	8555	9943	11443	12656	14151	15558	16870	18503	20068	21527	22424	24529	26189	27356	28830
20	1584	3632	4264	5702	6959	8563	9951	11451	12664	14159	15566	16878	18507	20074	21535	22432	24530	26190	27364	28838
21	1592	3640	4272	5710	6967	8571	9959	11459	12672	14167	15574	16886	18511	20080	21543	22440	24531	26191	27372	28846
22	1600	3648	4280	5718	6975	8579	9967	11467	12680	14175	15582	16894	18515	20086	21551	22448	24532	26192	27380	28854
23	1608	3656	4288	5726	6983	8587	9975	11475	12688	14183	15590	16902	18519	20092	21559	22456	24533	26193	27388	28862
24	1616	3664	4296	5734	6991	8595	9983	11483	12696	14191	15598	16910	18523	20098	21567	22464	24534	26194	27396	28870
25	1624	3672	4304	5742	6999	8603	9991	11491	12704	14199	15606	16918	18527	20104	21575	22472	24535	26195	27404	28878
26	1632	3680	4312	5750	7007	8611	10000	11499	12712	14207	15614	16926	18531	20110	21583	22480	24536	26196	27412	28886
27	1640	3688	4320	5758	7015	8619	10008	11507	12720	14215	15622	16934	18535	20116	21591	22488	24537	26197	27420	28894
28	1648	3696	4328	5766	7023	8627	10016	11515	12728	14223	15630	16942	18539	20122	21599	22496	24538	26198	27428	28902
29	1656	3704	4336	5774	7031	8635	10024	11523	12736	14231	15638	16950	18543	20128	21607	22504	24539	26199	27436	28910
30	1664	3712	4344	5782	7039	8643	10032	11531	12744	14239	15646	16958	18547	20134	21615	22512	24540	26200	27444	28918
31	1672	3720	4352	5790	7047	8651	10040	11539	12752	14247	15654	16966	18551	20140	21623	22520	24541	26201	27452	28926
32	1680	3728	4360	5798	7055	8659	10048	11547	12760	14255	15662	16974	18555	20146	21631	22528	24542	26202	27460	28934
33	1688	3736	4368	5806	7063	8667	10056	11555	12768	14263	15670	16982	18559	20152	21639	22536	24543	26203	27468	28942
34	1696	3744	4376	5814	7071	8675	10064	11563	12776	14271	15678	16990	18563	20158	21647	22544	24544	26204	27476	28950
35	1704	3752	4384	5822	7079	8683	10072	11571	12784	14279	15686	17000	18567	20164	21655	22552	24545	26205	27484	28958
36	1712	3760	4392	5830	7087	8691	10080	11579	12792	14287	15694	17008	18571	20170	21663	22560	24546	26206	27492	28966
37	1720	3768	4400	5838	7095	8699	10088	11587	12800	14295	15702	17016	18575	20176	21671	22568	24547	26207	27500	28974
38	1728	3776	4408	5846	7103	8707	10096	11595	12808	14303	15710	17024	18579	20182	21679	22576	24548	26208	27508	28982
39	1736	3784	4416	5854	7111	8715	10104	11603	12816	14311	15718	17032	18583	20188	21687	22584	24549	26209	27516	28990
40	1744	3792	4424	5862	7119	8723	10112	11611	12824	14319	15726	17040	18587	20194	21695	22592	24550	26210	27524	28998
41	1752	3800	4432	5870	7127	8731	10120	11619	12832	14327	15734	17048	18591	20200	21703	22600	24551	26211	27532	29006
42	1760	3808	4440	5878	7135	8739	10128	11627	12840	14335	15742	17056	18595	20206	21711	22608	24552	26212	27540	29014
43	1768	3816	4448	5886	7143	8747	10136	11635	12848	14343	15750	17064	18599	20212	21719	22616	24553	26213	27548	29022
44	1776	3824	4456	5894	7151	8755	10144	11643	12856	14351	15758	17072	18603	20218	21727	22624	24554	26214	27556	29030
45	1784	3832	4464	5902	7159	8763	10152	11651	12864	14359	15766	17080	18607	20224	21735	22632	24555	26215	27564	29038
46	1792	3840	4472	5910	7167	8771	10160	11659	12872	14367	15774	17088	18611	20230	21743	22640	24556	26216	27572	29046
47	1800	3848	4480	5918	7175	8779	10168	11667	12880	14375	15782	17096	18615	20236	21751	22648	24557	26217	27580	29054
48	1808	3856	4488	5926	7183	8787	10176	11675	12888	14383	15790	17104	18619	20242	21759	22656	24558	26218	27588	29062
49	1816	3864	4496	5934	7191	8795	10184	11683	12896	14391	15798	17112	18623	20248	21767	22664	24559	26219	27596	29070
50	1824	3872	4504	5942	7200	8803	10192	11691	12904	14399	15806	17120	18627	20254	21775	22672	24560	26220	27604	29078
51	1832	3880	4512	5950	7208	8811	10200	11699	12912	14407	15814	17128	18631	20260	21783	22680	24561	26221	27612	29086
52	1840	3888	4520	5958	7216	8819	10208	11707	12920	14415	15822	17136	18635	20266	21791	22688	24562	26222	27620	29094
53	1848	3896	4528	5966	7224	8827	10216	11715	12928	14423	15830	17144	18639	20272	21799	22696	24563	26223	27628	29102
54	1856	3904	4536	5974	7232	8835	10224	11723	12936	14431	15838	17152	18643	20278	21807	22704	24564	26224	27636	29110
55	1864	3912	4544	5982	7240	8843	10232	11731	12944	14439	15846	17160	18647	20284	21815	22712	24565	26225	27644	29118
56	1872	3920	4552	5990	7248	8851	10240	11739	12952	14447	15854	17168	18651	20290	21823	22720	24566	26226	27652	29126
57	1880	3928	4560	5998	7256	8859	10248	11747	12960	14455	15862	17176	18655	20296	21831	22728	24567	26227	27660	29134
58	1888	3936	4568	6006	7264	8867	10256	11755	12968	14463	15870	17184	18659	20302	21839	22736	24568	26228	27668	29142
59	1896	3944	4576	6014	7272	8875	10264	11763	12976	14471	15878	17192	18663	20308	21847	22744	24569	26229	27676	29150
60	1904	3952	4584	6022	7280	8883	10272	11771	12984	14479	15886	17200	18667	20314	21855	22752	24570	26230	27684	29158
61	1912	3960	4592	6030	7288	8891	10280	11779	12992	14487	15894	17208	18671	20320	21863	22760	24571	26231	27692	29166
62	1920	3968	4600	6038	7296	8899	10288	11787	13000	14495	15902	17216	18675	20326	21871	22768	24572	26232	27700	29174
63	1928	3976	4608	6046	7304	8907	10296	11795	13008	14503	15910	17224	18679	20332	21879	22776	24573	26233	27708	29182
64	1936	3984	4616	6054	7312	8915	10304	11803	13016	14511	15918	17232	18683	20338	21887	22784	24574	26234	27716	29190
65	1944	3992	4624	6062	7320	8923														

## New money for Bank Handelin APICORP net profit reaches \$12.5m in first full year

[illegible]

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# Senior changes at Aveling Barford

SP Industries (formerly Leyland Special Products) has announced the following changes in its SP Construction Equipment Division, which is now to be known as AVELING BARFORD HOLDINGS. Mr. David Beck has been appointed managing director of Aveling Marshall, the Gainsborough, Lincoln, plant within AB Holdings. Mr. Beck was previously financial controller and treasurer of Leyland South Africa (Pty) Ltd. Mr. Anthony Jordan has been made manufacturing director of Aveling Marshall, Gainsborough, Lincoln, plant. Mr. R. L. Mortimer, who has been the company's managing director since 1973, is now executive director of the Gainsborough plant. Mr. Harold Clark, now production manager of Aveling Marshall, Gainsborough, Lincoln, plant, has been appointed chairman of WGI in succession to Mr. P. S. Stammers, who is retiring. Mr. Beck will continue as managing director of the group.

Mr. Brian Long has become managing director of HONEYWELL INFORMATION SYSTEMS in succession to Mr. Russell G. Henderson, who has been named vice-president and general manager of Honeywell's marketing and services information systems division at Waltham, Mass.

Mr. Reginald Nye, who has been appointed finance director of Reed Building Products, one of five main UK/European divisions of REED INTERNATIONAL, was previously financial director of Reed Paper and Board and Reed Paper Division. This appointment follows the death of former finance director, Mr. David MacNaughton.

Mr. R. T. Vyner, at present a director of Allied Suppliers, will join SAINSBURY'S on July 17 and will be appointed a director to assume board responsibilities in due course for the grocery division.

Mr. Terence Seale has been made a director of SACCOBE AND SPEED and managing director of Saccobe and Speed Retail, following the appointment of Mr. Geoffrey Greenway, the former managing director, as senior retail trade director of Courage (Western). Mr. Seale joins the company from the Debenham Group, where he was director of store operations.

Mr. John E. M. Gardner has been appointed controller of European operations for DATA GENERAL CORPORATION. Mr. Gardner, who will be based at its European headquarters in Paris, joins Data General from Rolle Royce, where he was financial director.

THE SCOTTISH DEVELOPMENT AGENCY has appointed a former British Ambassador to Malawi as its first permanent

# Best way to regulate the City

A BLEND of statutory and non-statutory arrangements is likely to remain the best way of regulating the activities of the City, the Bank of England has argued in its latest batch of evidence to the Wilson Committee on the financial institutions.

In a related series of five papers, the Bank covers the various aspects of its role in the supervision of financial institutions. The first paper sets out a general description of regulation in the City and the position of the Bank.

It concludes that the mix between statutory and other forms of regulation would change over time, and concedes that in certain areas the Bank would favour the introduction of statutory arrangements.

These areas would include, for example, rules to cover insider trading in securities, and the Bank also believes that its present supervisory methods relating to deposit-taking institutions needed to be supported by the proposed legislation.

## Contrast

However, "there are many aspects of market regulation where non-statutory control has proved more appropriate and flexible than statutory control and is likely to remain so."

The Bank argues that systems which relied on law and specific regulation "may lead to any control being regarded as inflexible if it would not be possible to change the legal requirements."

In contrast, systems which relied on self-regulation, and in some cases discretionary powers, allowed more attention to be concentrated on "the intentions, both ethical and practical, which underlie the provisions."

Moreover, the Bank adds, non-statutory processes were often quicker to introduce or modify, and speedier in execution.

"Non-statutory elements form a vital part of an effective regulatory régime for commercial markets, where the extremes of rigidity inherent in a statutory framework must be avoided and in which the revision of the letter of the law never in practice keeps pace with the changes determined to meet its spirit."

The Bank emphasises that "all methods of non-statutory

regulation will remain acceptable only if they are seen to be effective in the protection of the public interest. Self-regulation will only remain so if it continues to be administered in a manner which is generally believed to be justified by those to whom it is applied."

The Bank's view is that non-statutory regulation had been a "major factor in sustaining the probity and efficiency of the operations of the City of London."

## Supervision

The Bank's paper identifies two types of non-statutory regulation of financial institutions.

The first consisted of the

exercise by the Bank of its traditional powers as the central bank in controlling and supervising generally the banking system and money markets.

Though exercised informally, the Bank's recommendations and requests were treated by the market as effectively mandatory.

The second type arose from the recognition by a group of individuals or institutions of the need for regulation in the common interest, often entrusted to an outside authority.

Much of the non-statutory regulation of the securities market was of this form. "In both cases, the system can be described as self-regulation, the first intrinsically so, the second by common consent."

Regard had to be given to the need not to discourage competition, though unrestrained competition had its own potential hazards.

The Bank had acquired "a special role in the areas of the City's activities subject to non-statutory regulation."

The Bank, particularly as a result of its relationships with the banks, had to a considerable degree been able to play the role of "confidant and arbiter of the City and guardian of its standards."

Its role "was accepted the more easily because players could feel that, as referees, they were both independent of action and understood the game, while being at the same time able to keep in view the wider issues."

# Vital elements will be kept

IMPORTANT AND valuable elements of the present system of banking supervision would be retained within the framework of the planned legislation on the licensing of deposit-taking institutions, the Bank says in its comments to the Wilson Committee.

The special qualities of the system are that it is "progressive, participative and personal," it describes the background to legislative proposals. It pointed

rather than seeking a standard element of conformity through detailed ratio controls.

The Bank believes, the evidence concludes, "that such a supervisory system within a statutory framework is appropriate to present circumstances and will maintain the spirit of trust and co-operation that has been built up over many years."

In its paper, the Bank describes the background to legislative proposals. It pointed

out that at present there were no specific legal requirements governing the establishment of a deposit-taking business in the UK.

However, a number of specific statutes required the establishment of lists of companies recognised as banks for particular purposes.

These lists were in some cases initially set up by the Government department concerned. But "in due course concern over the ambiguities of status which resulted and over the potentially conflicting criteria being adopted to the Bank being consulted in the administration of all the various statutory recognitions."

Nevertheless, "in no case did

# Sterling brokers talks advanced

DISCUSSIONS ARE far advanced towards forming a sterling brokers association, the Bank discloses in its paper covering supervision of the money and foreign exchange markets.

The Bank reports to the Wilson Committee that after a working party report, which revealed certain shortcomings in market practice, it was decided that a code of practice to govern transactions in the market should be drafted and an association formed on the lines of the similar association in the foreign exchange market.

"Discussions to these ends, which have been proceeding under the aegis of the Bank, are very far advanced."

The Bank says in its evidence that it exercises a supervisory role in the markets not only because their good health and operational efficiency are important to the soundness of the UK financial system as a whole and in particular to the continued standing of London as a major international centre, but also because of their importance as the field in which the Bank's policy objectives are effected.

The Bank has, for the most part, "encouraged the participants in the various markets to organise their own institutional framework, within which soundings may be taken and matters of day-to-day management disposed of, the better to assist the Bank in monitoring and controlling developments."

The Bank's aim is "to procure the efficiency and integrity of the markets to a degree which will maintain and enhance the international reputation and standing of the London market."

It draws attention to several aspects of integrity in the operation of financial markets.

# Commodity exchange 'can claim status of traders' market'

BANK OF England surveys confirm that the London commodity exchanges are fully justified in claiming that they are traders' markets, and not highly speculative, according to the evidence presented to the Wilson Committee.

The Bank points out that it has been keeping a much closer watch on the London commodity markets in recent years.

This increased surveillance of the markets started during the boom in commodity prices in the early 1970s when the Bank was worried about the sanctity of

contracts and the honouring of bargains in markets with which they are known to be associated. There was also concern about the possibility of undesirable speculation, which reached a head in 1974.

As a result, in 1974 the agreements between the Bank and the commodity market associations, originally devised for exchange control purposes, were considerably extended so that much more information could be gathered on market activities.

These 1974 Memoranda of Understandings enable the Bank to identify trends in speculative activity and where necessary, take steps against the building up of dangerous situations.

But it has an ultimate sanction of control in the withdrawal of exchange control consents, without which the markets could not operate properly on an international scale.

## Reports by Michael Blandin, Nicholas Colchester and John Edwards

## The Bank of England evidence to the Wilson Committee on the financial institutions

work would recognise a progressive element among deposit-taking institutions "while doing away with the confusions in the public mind which had arisen from the former multiplicity of recognitions."

It would continue to encourage the participation of the banking community in the development of appropriate supervisory practices and to pay due regard to the market's judgments of those participating in it.

It would remain a personal system both by "the maintenance of the style of personal dialogue between companies and the Bank and by the Bank continuing to have regard to the individual structure and circumstances of each deposit-taking company."

Mr. Bernard Fox, a director of Rest Assured, has been elected president of the NATIONAL BEDDING FEDERATION.

Mr. James R. Fleming has been appointed commodities manager of BANQUE NATIONALE DE PARIS.

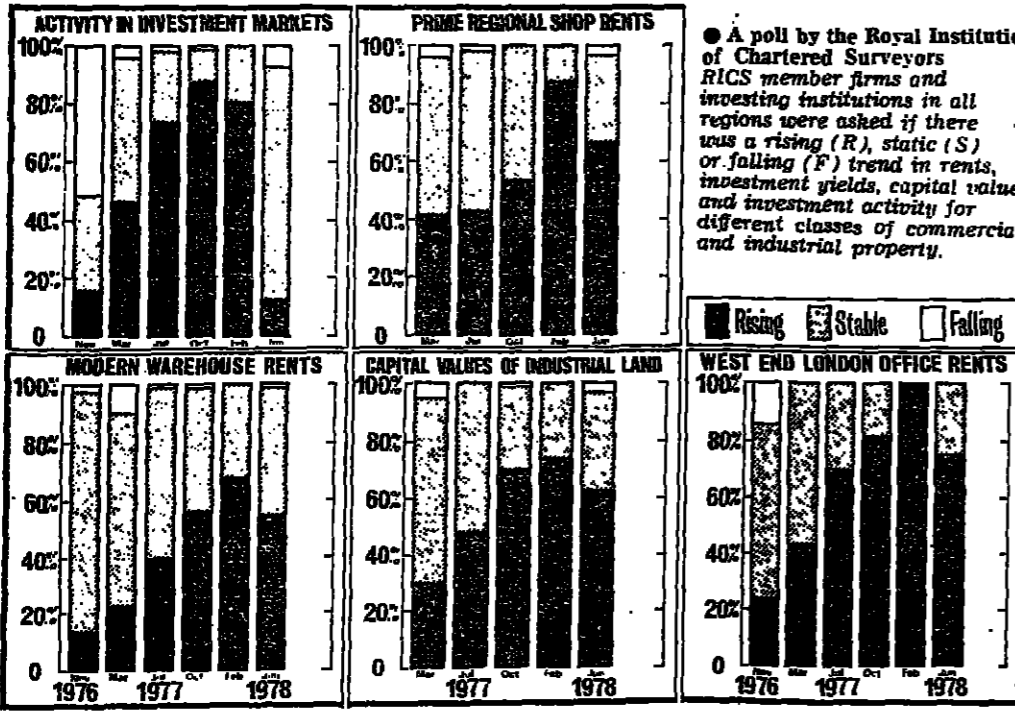
Mr. Jim Bradbury has been made financial director of UBM HILLS WINDOWS. Prior to this appointment he was with the company as a consultant.

## 'Both the stimulus and monitor'

IN A section dealing with regulation of the securities industry, the Bank describes how it has become increasingly involved, acting as "both the stimulus and monitor of the evolution of the non-statutory side of securities market supervision."

The Bank tells of the part it played, from 1959 onwards, in the development of the Take-over Code, then describes the factors that led to the creation of the

# Property Market Indicators



# Investment market cools

HIGHER INTEREST rates have clearly halted the explosive growth in commercial investment property prices seen earlier this year. The cooling of the market has been paralleled by a move from growth to stability in the pattern of rents nationally. But in both rental and investment terms the strength of the property markets in Central London and the South East stand in increasingly sharp contrast to the rest of the country.

These points emerge from the eighth quarterly poll of business indicators in the property market carried out by the Royal Institution of Chartered Surveyors in conjunction with the Financial Times.

One of the most striking changes since the March Poll is the near unanimous feeling among RICS member firms that investment market activity has stabilised.

In the last poll 81 per cent of firms felt that investment activity was increasing nationally, and over 70 per cent felt that this translated into rising capital values for all but secondary shop properties. This time the balance has swung towards "no change" in investment activity, with 50 per cent of firms throughout the country indicating a stable investment market, and half the firms suggesting that capital values for most classes of property are static.

The national figures still suggest that capital values of prime regional shops are rising, with 67 per cent of firms re-

AREAS	LON. CITY	WEST END	REST GLC	SE (EX-LON.)	N	NW	EAST ANGLIA	YORKS & HUMBER	EAST MIDS.	WEST MIDS.	SW	SCOT.	WALES	N. IRE.	NAT. AVERAGE
Compared with three months ago:															
QUESTION 1 What is the trend in rents?															
(a) Offices	R 90 S 10 F 10	75 25 —	38 62 —	25 75 —	33 67 —	33 67 —	100 — —	23 77 —	7 93 —	18 82 —	35 65 —	72 28 —	36 64 —	67 33 —	54 46 —
(b) Prime Regional Shops	R 67 S 33 F 10	93 7 —	93 7 —	88 12 —	92 8 —	80 20 —	100 — —	85 15 —	84 16 —	73 27 —	95 5 —	92 8 —	82 18 —	100 — —	87 13 —
(c) Secondary Shops	R 25 S 75 F 10	77 23 —	46 54 —	33 67 —	58 42 —	71 29 —	78 22 —	38 62 —	23 77 —	40 60 —	58 42 —	42 58 —	18 82 —	100 — —	48 52 —
(d) Modern Factories	R 62 S 38 F 10	62 38 —	69 31 —	78 22 —	25 75 —	38 62 —	22 78 —	33 67 —	57 43 —	72 28 —	83 17 —	23 77 —	36 64 —	100 — —	53 47 —
(e) Modern Warehouses	R 67 S 33 F 10	62 38 —	69 31 —	78 22 —	33 67 —	50 50 —	40 60 —	57 43 —	67 33 —	79 21 —	45 55 —	25 75 —	55 45 —	75 25 —	44 56 —
QUESTION 2 What is the trend of investment yields?															
(a) Offices	R 5 S 81 F 14	18 70 12	17 58 25	12 71 17	8 84 8	13 77 11	11 78 15	8 77 15	8 69 23	6 75 19	6 76 18	23 62 15	17 58 25	— 80 20	11 72 17
(b) Prime Regional Shops	R 8 S 84 F 10	14 72 17	8 67 25	8 71 21	17 66 17	20 60 13	22 54 22	8 54 38	15 39 46	13 60 27	6 53 41	8 61 31	8 59 33	— 60 40	12 62 26
(c) Secondary Shops	R 8 S 75 F 17	17 58 25	27 46 27	13 65 22	17 66 17	21 54 25	15 57 28	15 57 28	8 64 27	7 64 29	6 72 22	8 75 17	18 64 18	— 75 25	13 66 21
(d) Modern Factories	R 22 S 67 F 11	22 57 21	15 54 31	15 52 33	12 85 3	12 76 12	20 53 27	20 53 27	8 66 26	6 70 24	6 58 36	6 58 36	21 58 21	— 100 25	11 67 23
(e) Modern Warehouses	R 22 S 78 F 10	22 67 11	15 54 31	15 52 33	12 85 3	12 76 12	20 53 27	20 53 27	8 66 26	6 70 24	6 58 36	6 58 36	21 58 21	— 100 25	11 67 23
QUESTION 3 What is the trend of capital values?															
(a) Offices	R 70 S 30 F 10	60 40 10	27 73 —	14 86 —	40 60 —	40 60 —	12 88 —	25 75 —	15 85 —	20 80 —	41 59 —	36 64 —	55 45 —	67 33 —	37 63 —
(b) Prime Regional Shops	R 64 S 27 F 9	69 31 —	58 42 —	58 42 —	64 36 —	67 33 —	78 22 —	70 30 —	62 38 —	64 36 —	72 28 —	62 38 —	82 18 —	100 — —	67 33 —
(c) Secondary Shops	R 20 S 70 F 10	44 56 —	46 54 —	46 54 —	55 45 —	57 43 —	78 22 —	31 69 —	23 77 —	20 80 —	37 63 —	54 46 —	18 82 —	80 20 —	42 58 —
(d) Modern Factories	R 33 S 50 F 17	37 63 —	41 59 —	37 63 —	25 75 —	27 73 —	54 46 —	47 53 —	38 62 —	41 59 —	58 42 —	36 64 —	45 55 —	— 100 —	44 56 —
(e) Modern Warehouses	R 45 S 45 F 10	67 53 —	29 71 —	59 41 —	25 75 —	27 73 —	54 46 —	47 53 —	38 62 —	41 59 —	58 42 —	36 64 —	45 55 —	20 80 —	46 54 —
(f) Industrial Land	R 60 S 40 F 10	71 29 —	84 16 —	42 58 —	40 60 —	38 62 —	56 44 —	53 47 —	67 33 —	75 25 —	91 9 —	54 46 —	45 55 —	33 67 —	63 37 —
QUESTION 4 Activity in investment markets															
(a) Offices	R 11 S 89 F 10	7 86 —	15 85 —	16 84 —	— 92 —	13 87 —	11 89 —	7 93 —	8 92 —	6 94 —	28 72 —	8 92 —	30 70 —	33 67 —	13 87 —

region that is creating a substantial rise in prices."

Confusion over the future of the legislation is another common theme, with landowners standing back from the market in the face of the Government's enthusiasm to make the controls work and the opposition's plans to scrap the CLA. As one firm argues, owners are willing to "wait for the Tories—it really is time for a bi-partisan approach to taxation of land and development values."

This problem of holding back land is repeated time and again by firms in every part of the country. One Scottish agent sums up the regional problems by commenting that the fear of Development Land Tax and the negative way in which the Com-

South Eastern firms feel that the effects of DLT and CLA, and their confusion, only reduces even greater confusion on the part of private landowners.

If the industry had clear-cut development legislation, with a development gains taxation that was both understandable and in the landowner's view, reasonable, it is doubtful if the myriad of problems revealed by the poll would survive a revival of development activity.

In a thin market, blame for inactivity seems to be placed on external problems. And, as both DLT and CLA are new, external controls, the new tax and the new law are inevitably prime targets for abuse.

One of the key points to come over from the poll replies is that agents are confused by the

# Early decline on Wall St. almost recouped

**INVESTMENT DOLLAR PREMIUM**  
\$2.60 to \$1.047 (108%)  
Effective 11.8865-47% (311%)

SOME UNSETTLING comments from Federal Reserve Board chairman G. William Miller caused Wall Street to reverse its recent firm trend yesterday morning, but a continuing stream of bullish earnings reports recovered most of the loss by the close.

The Dow Jones Industrial Average reacted to \$18.99 before rallying to \$24.76, 0.17% easier on the day. The NYSE All Common Index managed a net gain of \$3.12, after an initial decline to \$33.12, while losses in the close held just as tight. Turnover contracted to 3,311 million shares from Wednesday's level of 2,646 million.

Fed Chairman Miller told the U.S. House of Representatives Budget Committee that continuing high inflation rates could serve to put a brake on the nation's economic growth. He said inflation this year could reach 10.2%, compared with 6.8 per cent last year.

He added that he sees interest rates continuing to rise through the end of this year, increasing the possibility of a credit squeeze, while a number of Wall Street interest rates to peak in the third quarter.

Miller also expressed concern over the increase in basic money supply so far this year. As the stock market closed, the U.S.

Federal Reserve reported that in the purchase of a new air craft, the most recent statement was that the basic 311 money supply was unchanged at \$1.047, far above the \$1.047 expected.

Foreign Exchange markets remained nervous in advance of this weekend's economic summit meeting in Bonn. The dollar encountered wide swings during the day, but it ended with only \$2.60 higher on second-quarter net earnings.

Burroughs eased to \$72.12 despite improved earnings. Reynolds Metals reported improved second-quarter results and advanced to \$11.02, while Alcoa Aluminum added \$1 at \$22.12 on higher second-quarter net earnings.

Sterling Drags, the leading active, rose to \$171.12, after a large share block of Sterling was traded, including one of 119,000 shares at \$161.12.

Texas, in second place, picked up to \$2.12, after a company statement that no definite conclusions can be drawn from data obtained so far from its drilling activities in the Baltimore Canyon off Atlantic City. However, it said it will run tests to determine whether hydrocarbons exist in commercial quantities.

Telecom jumped to \$108.12 after reporting a near 150 per cent increase in second-quarter earnings.

Union Pacific, which reported higher second-quarter net profits and has also settled a long-standing lawsuit, gained to \$25.12.

Standard Chartered Bank, a Data Terminal Systems lost 11 to \$33.12, after announcing plans to offer up to 500,000 shares of common stock.

On the active list, lost to \$11.12, the directors are to meet today to review proposals for the purchase of a new air craft.

Owens-Illinois, also active, was unchanged at \$21.12 after reporting improved earnings and a dividend increase.

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news that French industrial production fell by 3 per cent in May. Portfolios, Motors, Rubbers, Stores and Chemicals were mostly higher at the close, but declined in the early morning. Mechanicals, Metals and Publishing issues.

Gaining issues included Locomotives, Radar, Peugeot, Citroen, Michelin, Moteur, but Somers, notably lower were Mamm, Generale d'Entreprise, Generale de Fonderie, Presses de la Cite, Printemps, and Maritime Chateaux Renaults.

Canada continued to strengthen in very busy trading, with the Toronto Composite Index advancing to 1,148.11. Oils and Gas moved ahead to 1,148.11. Metals and Minerals to 1,148.11. Banks and Papers to 1,148.11. Golds came back to 1,148.11.

Musky Oil jumped to \$1.047, after a large share block of Musky was traded, including one of 119,000 shares at \$1.047.

Alberta Gas Trunk said that it plans to buy additional 1.2 million shares of Musky, which reported a West Pembina oil find, rose to \$1.047.

Hong Kong continued a further decline in local profit-taking, with the Hang Seng index losing 9.08 more to 565.89.

Among the sectors, Electricals, Hong Kong Land 20 cents to HK\$1.047, and Hatchedon Whampoa 5 cents to HK\$1.047.

Among secondary issues Hong Kong Telephone share 50 cents to HK\$1.047, and Hatchedon Whampoa 5 cents to HK\$1.047.

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NEW YORK - DOW JONES									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Industrial	824.76	824.83	821.28	816.78	812.46	807.17	806.81	792.12	781.70
Transport	223.07	223.16	222.54	220.30	218.25	216.80	216.50	212.88	208.12
Utilities	105.45	105.72	105.54	105.01	104.55	104.07	103.90	102.54	101.84
Trading (000's)	25,816	25,840	27,400	27,476	28,406	24,376			

STANDARD AND POORS									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Industrial	108.14	108.28	108.06	107.84	107.78	107.68	107.58	106.88	106.12
Composite	95.25	95.24	95.22	95.27	95.24	95.23	95.23	94.88	94.48

Rises and Falls									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	5.07	5.18	5.11	5.11	5.11	5.11	5.11	5.11	5.11
Ind. P/E Ratio	9.12	8.93	9.04	10.12					
Long-Term Bond Yield	8.69	8.62	8.67	7.59					

MONTREAL									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

TORONTO									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

JOHANNESBURG									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

PARIS									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

HONG KONG									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

THURSDAY'S ACTIVE STOCKS									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

BRUSSELS/LUXEMBOURG									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

AMSTERDAM									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

COPENHAGEN									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

VIENNA									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

MILAN									
	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5
Ind. div. yield %	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Ind. P/E Ratio	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12

## FARMING AND RAW MATERIALS

## UK cattle herd hit by new disease

By Christopher Parkes

SOME OF the finest and most costly dairy cattle in Britain have been found to be infected with an infectious form of blood cancer previously unknown in this country.

The Government has taken legal powers to contain the disease while the Ministry of Agriculture vets assess the extent of the infection.

The disease, enzootic bovine leukaemia, appears to have come to Britain with Holstein cattle imported from Canada. These animals prized for their large size and heavy milk yields, cost at least £2,000 each. One leading breeder has recently paid as much as £10,000 for a breeding cow.

Infection has been confirmed in four herds in Angus, Somerset and Gloucestershire.

The presence of the disease was first suspected last month. Since then blood tests on 635 cattle have disclosed 80 animals showing some evidence of infection. Almost half of these are imported Holsteins or their calves.

## Options

Sampling is to continue in herds containing the 6,500-odd breeding cattle of various strains imported into Britain over the past 10 years. When the extent of the disease spread has been assessed, the Government will decide how best to deal with it.

In the meantime, farmers with infected cattle will be given the option of killing them in return for full compensation from the Treasury or keeping them in isolation until a long-term policy has been worked out.

Ministry vets stress that there is no evidence that milk or meat from animals suffering from the disease offer any threat to human health.

## OECD looks at commodity price stability

PARIS, July 13. A SPECIAL Organisation for Economic Co-operation and Development working party is studying the problems of price stability in cereals, animal feed, dairy products and meat. It was reported here.

The study should be concluded later this year, or early next, with publication of the group's conclusions on ways of giving international commodity prices more stability.

The working party is a joint group made up of the OECD trade and agriculture committees.

Reuter

## Cocoa surplus estimate raised

By JOHN EDWARDS, COMMODITIES EDITOR

COCOA MERCHANT, Gill and Duffus, has raised its estimate of the surplus for the 1977-78 season ending in September from 59,000 to 116,000 tonnes.

In its latest market report, issued yesterday, Gill and Duffus said that world cocoa production during 1977-78 was now estimated at 1,474,000 tonnes, while the seasonal crop had been lowered to 1,358,000 tonnes.

The rise in production was mainly due to the forecast increase in the Brazilian crop to 280,000 tonnes or 4,037,000 bags (60 kilos) against last season's crop of 3,599,000 bags.

The report pointed out, though, that the disappointing rate of arrivals of the Brazilian Temporo crop had contributed to the slightly unsettled state of the market, where the fundamental supply-demand situation was little changed.

On the demand side Gill and Duffus forecast world grindings falling to 1,353,000 tonnes in 1977 against 1,368,000 tonnes in 1976. Grindings in the U.S. which earlier this week reported an 18 per cent decline during the second quarter, were put at 173,000 tonnes for the whole year, compared with 184,000 tonnes in 1977.

The report said that the man-

ner in which the remainder of this season's crop came in was likely to be the key to market developments. This meant that attention would inevitably be focused on the progress of the Bahia Temporo crop.

Looking at prospects for the 1978-79 season, the report said that it would be some months before a clear picture emerged. Early crop development in Ghana had not been particularly encouraging, however, despite good rains.

A sizeable increase in the world crop, following the present season's surplus and coming at a time when the recovery in world grindings was likely to be sluggish, could be expected to depress cocoa prices significantly.

However, given the depletion of bean stocks over the past few seasons, there could be a restocking demand so that any prospect of a surplus of production over grindings might overstate the true excess of supply over demand.

Unchanged production in 1978-79 on the other hand would at least mean that the balance between supply and demand and leave little scope for a significant fall in cocoa prices for "distant" months.

## Another boost for copper from U.S.

By OUR COMMODITIES EDITOR

COPPER PRICES rose for the fifth day in succession on the London Metal Exchange yesterday, encouraged by news that Asarco had raised its U.S. domestic copper price from 68 to 70 cents a lb.

The market shrugged off reports that the big stockpile of Dardar-Salaam had been almost cleared and that thousands of tonnes were being moved into the docks daily from Zambia.

A market report from Dar quoted a Zambian copper industry spokesman as saying that they had shipped 74,000 tons of copper from the port last month and that there were vessels waiting to take off all that remained.

In April it was estimated that some 135,000 tonnes of copper awaited shipment at the mines, on the railway and at the ports. But Tanzania and Zambia called for a priority programme to end

the congestion, which had put severe strains on Zambia's economy.

Tin prices rose following recovery in the Penang market overnight and expectations of a rise in the Tin Agreement price ranges being settled at the Tin Council meeting in London this week.

Last night the council's talks were continuing, reportedly with the U.S. isolated in opposing a rise in the price ranges.

Lead and zinc values followed the upward trend in copper.

In New York it was reported by the American Bureau of Metal Statistics that stocks held by smelters dropped to an estimated 72,000 short tons at the end of June, compared with nearly 90,000 tons at the end of May.

Lead stocks held by refiners were said to be slightly higher at 33,036 short tons at the end of June.

## Wheat pact talks fail again

By Our Commodities Staff

THE WORLD'S principal wheat-producing and importing nations yesterday gave up their latest attempt to settle their differences over the form and content of a new international Wheat Agreement.

Officials said after discussions in Geneva that the talks would reopen in London in October.

Before the talks started, participants said an end to the deadlock was in sight and it was widely believed that a settlement on grain trade was within reach.

The talks were held under the auspices of the Multilateral Trade Negotiations, now under way.

The home breeding effort was limited to a few brave individual companies and certain government departments, notably the Plant Breeding Institute in Cambridge and the Welsh Plant Breeding Institute at Aberystwyth.

During and after the war, the National Institute of Research in Plant Breeding at Cambridge was recognised as an impartial body for evaluating farm seeds by means of trials in Cambridge and other centres around the country.

The introduction of legislation providing for plant breeding rights in the UK about 12 years ago has stimulated a considerable British effort, but it is mainly concentrated in the official breeding stations at Rothwell Plant Breeders, now a subsidiary of Shell.

The reasons for this are simply

## UK SEED TRADE

Time for strong nerves

By JOHN CHERRINGTON, AGRICULTURAL CORRESPONDENT

FOR MANY years Britain was among the few countries in Europe where plant breeders could derive no substantial and permanent benefit from the seeds and plants they had bred.

It was commonplace that as soon as a new strain was put on the market, other growers would get hold of some of the seed, multiply it and sell it as their own, or the breeder's name, paying no form of levy to the originator.

This lack of incentive for breeders meant that the UK seed trade was largely concerned with importing various strains from European sources, where breeders had enjoyed rights for many years.

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## Adoption

The Community's seed regulation, which now applies in Britain, lays down that all farm seeds provided by the trade should be no more than first and second generation stock from a single basic seed.

That this regulation has put paid to indiscriminate multiplication of seeds by merchants and farmers, and all sales of this sort are illegal.

It used to be possible to see a good stand of grain on a neighbour's farm, buy some of it from him after harvest, process it through the machinery which he owned, and sow it. Now, though, it is illegal to do this.

However, if the grain is involved as feed and accidentally falls into the seed cleaning machinery and is processed, there is of course nothing anyone can do about it.

It is believed that at least 40 per cent of cereal seed sown in Britain is the farmer's own, and there is no doubt quite a substantial element of farm-to-farm seed selling. The margin

between the commercial price of grain and the cost of buying seed is rising because of the plant breeders' rights and other causes. The bigger the margin the bigger the incentive to avoid it will be.

The seed houses secure their supplies by contracting farmers to grow first and second generation seed. The contracts are usually on an acreage basis. In some cases there is a limit on the tonnage delivered, plus an option on the balance, and in other cases a straight option. The premiums paid are in general a percentage over the market price of commercial grain.

There is now considerable friction between seed growers and the trade over the terms of these contracts. Growers are saying that the premiums are insufficient to cover their costs, while the trade says that the dangers of overproduction are so great in the event of a good harvest that they have to safeguard their position.

It is generally believed that the 1977 harvest, which caused almost 100 per cent rejection of seed crops in southern England, saved many contracting companies from having huge unsold stocks on their hands. There was also much less sowing of farm-saved seed.

As an example, last year I had to buy about 30 tonnes of seed. With a good harvest this year I shall not have to buy 10 tonnes. It is a good harvest, and this year with few rejections, it could prove a very tricky time for contracting merchants, particularly those without an option.

There is another source of confusion in Britain. The National Institute of Agricultural Botany is certifying more than 40 varieties of winter wheat and 60 of spring barley of which about one third are on what is called the recommended list, based on the results of their trials. The differences in yields between some of them are so slight that the results are liable to be disregarded and a great deal is left to farmer preference.

This is illustrated by the fact that in wheat, for example, more than 50 per cent of seed certified is for three varieties.

New varieties are being placed on the market annually with the help of considerable publicity, supported by very little evidence of greatly increased benefits to the farmer. Indeed, there is now a demand that the introduction of new varieties should be slowed down, rather than the diamond producers are to restrict supplies to actual demand.

The farm seeds industry, however, in spite of the plant breeders' rights and the EEC regulation, still appears to be highly speculative. Its operators need strong nerves, deep pockets, and a great deal of luck.

Reuter

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Reuter

## Protest at 'rape' of fisheries

By CHRISTOPHER PARKES

THE FISHERIES policy of the Common Market has resulted in the "legalised rape" of fish stocks in waters around Britain, Mr. Charles Meek, chairman of the White Fish Authority, charged yesterday.

Offering unequivocal support to the Government's stand in negotiations with the EEC, Mr. Meek said that in the wake of the 1977 harvest, which caused almost 100 per cent rejection of seed crops in southern England, saved many contracting companies from having huge unsold stocks on their hands. There was also much less sowing of farm-saved seed.

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Reuter

## PRICE CHANGES

Prices per tonne unless otherwise stated.

July 13 1978

July 13 1978

July 13 1978

July 13 1978

July 13 1978

July 13 1978

July 13 1978

July 13 1978

## U.S. Markets

## Recovery in copper; cocoa falls

NEW YORK, July 13.

GOLD AND SILVER edged on local professional selling and Commission House liquidations, but copper recovered from a record low of 110.50 cents a lb. to 112.50 cents. The Bonn summit was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

Cocoa prices fell to 11.50 cents a lb. from 11.75 cents. The market was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

Coffee prices rose to 1.15 cents a lb. from 1.10 cents. The market was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

Wheat prices rose to 1.15 cents a lb. from 1.10 cents. The market was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

Barley prices rose to 1.15 cents a lb. from 1.10 cents. The market was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

Oats prices rose to 1.15 cents a lb. from 1.10 cents. The market was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

Rye prices rose to 1.15 cents a lb. from 1.10 cents. The market was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

Maize prices rose to 1.15 cents a lb. from 1.10 cents. The market was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

Soybean prices rose to 1.15 cents a lb. from 1.10 cents. The market was seen as a positive sign for the dollar, and the dollar rose to 1.70 marks.

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## COMMODITY MARKET REPORTS AND PRICE CHANGES

## BASE METALS

COPPER—Very steady on the London Metal Exchange with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

LEAD—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

ZINC—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

NICKEL—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

COBALT—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

IRON—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

STEEL—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

ALUMINUM—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

MAGNESIUM—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

TITANIUM—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

WOLFRAM—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

ANTIMONY—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

ARSENIC—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

SELENIUM—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

GERMANIUM—Steady in routine trading with the forward price held by short covering. Starting at 117.50 it gradually lifted to 118.50 helped by the news of the Asarco price rise.

## COMMODITY MARKET REPORTS AND PRICE CHANGES

## GRAINS

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## COMMODITY MARKET REPORTS AND PRICE CHANGES

## WOOL FUTURES

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## Markets consolidate awaiting today's trade returns

### Equities resist technical mark-down—Gilts hardly tested

		Thurs. July 13		Wed. July 12	Tues. July 11	Mon. July 10	Friday July 7	Thurs. July 6	Wed. July 5	Tues. July 4	Year ago (approx.)
		Index No.	Yield %								
15	20-yr. Red Deb. & Loans (15)	56.80	113.07	56.83	56.78	56.72	56.70	56.64	56.56	56.70	63.92

INSURANCE, PROPERTY,  
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OFFSHORE AND  
OVERSEAS FUNDS

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INDUSTRIALS-Continued

INSURANCE

PROPERTY-Continued

INV. TRUSTS-Continued

FINANCE, LAND-Continued

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Petroleum	12.50	1.00	7.9%	1,200,000	12.50	12.50	12.50	12.50	0.00
Shell	11.50	0.90	7.8%	1,100,000	11.50	11.50	11.50	11.50	0.00
Esso	10.50	0.80	7.6%	1,000,000	10.50	10.50	10.50	10.50	0.00
British Airways	15.00	1.20	8.0%	800,000	15.00	15.00	15.00	15.00	0.00
British Telecom	18.00	1.44	8.0%	600,000	18.00	18.00	18.00	18.00	0.00
British Steel	12.00	0.96	8.0%	500,000	12.00	12.00	12.00	12.00	0.00
British Overseas Airways	10.00	0.80	8.0%	400,000	10.00	10.00	10.00	10.00	0.00
British Airways Group	12.00	0.96	8.0%	300,000	12.00	12.00	12.00	12.00	0.00
British Airways Holdings	10.00	0.80	8.0%	200,000	10.00	10.00	10.00	10.00	0.00
British Airways International	8.00	0.64	8.0%	100,000	8.00	8.00	8.00	8.00	0.00

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Leyland	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Leyland Motor	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Leyland Finance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Leyland Insurance	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00
British Leyland Services	4.00	0.32	8.0%	800,000	4.00	4.00	4.00	4.00	0.00

Commercial Vehicles

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Leyland Commercial	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Leyland Commercial Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Leyland Commercial Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Leyland Commercial Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

Components

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Leyland Components	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Leyland Components Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Leyland Components Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Leyland Components Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

Garages and Distributors

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Leyland Garages	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Leyland Garages Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Leyland Garages Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Leyland Garages Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

NEWSPAPERS, PUBLISHERS

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Newspaper	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Newspaper Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Newspaper Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Newspaper Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

PAPER PRINTING ADVERTISING

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Paper Printing	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Paper Printing Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Paper Printing Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Paper Printing Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

PROPERTY

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Property	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Property Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Property Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Property Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

SHIPBUILDERS, REPAIRERS

SHIPPING

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Shipbuilders	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Shipbuilders Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Shipbuilders Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Shipbuilders Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

SHOES AND LEATHER

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Shoes	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Shoes Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Shoes Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Shoes Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

SOUTH AFRICANS

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British South Africans	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British South Africans Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British South Africans Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British South Africans Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

TEXTILES

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Textiles	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Textiles Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Textiles Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Textiles Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

TOBACCO

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Tobacco	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Tobacco Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Tobacco Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Tobacco Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

TRUSTS, FINANCE, LAND

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Trusts	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Trusts Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Trusts Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Trusts Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

FINANCE, LAND, etc.

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Finance	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Finance Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Finance Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Finance Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

OVERSEAS TRADERS

TEAS

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Overseas Traders	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Overseas Traders Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Overseas Traders Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Overseas Traders Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

TEAS

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Teas	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Teas Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Teas Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Teas Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

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Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
British Teas	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Teas Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Teas Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Teas Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

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British Teas	12.00	0.96	8.0%	1,200,000	12.00	12.00	12.00	12.00	0.00
British Teas Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
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British Teas Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

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British Teas Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
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British Teas Finance	10.00	0.80	8.0%	1,100,000	10.00	10.00	10.00	10.00	0.00
British Teas Insurance	8.00	0.64	8.0%	1,000,000	8.00	8.00	8.00	8.00	0.00
British Teas Services	6.00	0.48	8.0%	900,000	6.00	6.00	6.00	6.00	0.00

TEAS

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Friday July 14 1978

**BELL'S**  
SCOTCH WHISKY  
**BELL'S**

## Surprise talks bring Mid-East peace hope

BY DAVID LLEWELLYN

TEL AVIV, July 13.

THERE APPEARS to be a real possibility of an early resumption to the Egypt-Israel military committee talks, following today's surprise meeting in Austria between President Sadat of Egypt and Mr. Ezer Weizman, Israel Defence Minister.

There was guarded optimism among defence and military officials tonight that Mr. Weizman may bring back an Egyptian invitation to resume the military talks in Egypt when he returns tomorrow.

The fact that President Sadat spoke privately for three hours with Mr. Weizman raised hopes here that there is now a real chance for progress in the Middle East peace talks. It was also seen here as reducing the chances of a stalemate during the meeting in London next week between the Foreign Ministers of Egypt and Israel and the American Secretary of State.

The military committee's deliberations were broken off in January, shortly after they had started. But a small Israeli military delegation has remained in Egypt ever since.

It was through the military team, based in Alexandria, that the negotiations were carried out which led to the unexpected meeting today in Salzburg.

Officials said that Mr. Weizman took no specific new Israeli ideas with him, but it is understood that he was hoping to persuade the Egyptians to resume the military talks, parallel with the resumption next week of the political talks. He was also expected to clarify what the Egyptian position will be in the London talks.

The Israeli government was surprised when General Abdul Gamasy, the Egyptian War Minister, sent a message to Mr. Weizman agreeing to the Israeli Minister's request for a meeting, but stressing that it must be held today. After a hurried meeting among senior Ministers it was decided last night to approve Mr. Weizman's trip, even though it comes only days before the London conference.

Mr. Moshe Dayan, Israel Foreign Minister, said there were three items on the agenda for

## Bank calls for flexibility in supervisory code

BY MICHAEL BLANDEN

DETAILED PROPOSALS for the more controversial aspects of the present arrangements. These could include particularly the questions raised by the UK's traditional pattern of non-statutory supervision and self-regulation in the City in the context of the more legislative approach of the EEC.

The Bank recognises the importance of statutory regulation which, when the new legislation is introduced, will for the first time in the UK establish a system of licensing for all deposit-taking institutions.

It now accepts the need for legislation to control problems such as insider trading.

At the same time, however, it defends strongly the elements of the present system which include particularly the progressive, personal and participative nature of its supervision of the banks.

The Bank argues that rules laid down by law could be inflexible and rigid. Non-statutory regulations, provided they were seen to be exercised in the public interest, have been "a major factor in sustaining the probity and efficiency of the operations of the City of London."

The evidence concludes that a blend of the two forms of regulation is likely to remain the best way of controlling the activities of the City.

Details Page 33

## UN outlines Namibia peace force plan

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

IF WESTERN proposals for a peaceful transfer of power in Namibia are accepted by the Security Council, a UN force of some 5,000 officers and men, mainly from African and Scandinavian countries, is likely to be sent to the territory within the next few weeks.

Giving details of the planned operation in New York yesterday, Dr. Kurt Waldheim, the UN Secretary-General, said that the force would be accompanied by 1,000 UN officials and support staff. It would be the biggest such operation since the Congo (now Zaire) intervention in the early 1960s.

This large UN role is the key to the Western proposals for Namibia agreed after 15 months of negotiation by both the South African Government, which controls Namibia, and by Swapo, the only internationally recognised nationalist movement.

In London, Dr. David Owen, the Foreign Secretary, said today that the agreement negotiated by the U.S., Britain, France, West Germany and Canada—could be of profound significance for the whole of southern Africa.

He hoped that it could persuade the parties in the dispute to accept a negotiated settlement, while he thought that South Africa's acceptance of the proposals for Namibia would mean that Pretoria would be much less likely to see the international acceptable solution.

such as that proposed under the Anglo-U.S. plan, for Rhodesia. Dr. Owen warned, however, that while the South African Swapo agreement represented a major achievement, the Namibian dispute was not "signed, sealed and finally settled."

The Western powers will now take their proposals to the Security Council, which it is hoped will meet before the end of this month when Canada hands over the chairmanship to China.

In spite of the statement yesterday by Mr. Sam Nujoma, Swapo's president, that Namibia could not become independent until the question of Walvis Bay was solved, Western representatives in New York were confident that the proposals would be approved by the Security Council.

### Legal status

The proposals provide for a UN-controlled ceasefire and UN-supervised elections. They also provide for the phased reduction of the estimated 20,000 South African troops so that only 1,500 remain during the elections.

Walvis Bay, the main Namibian port, was left out of the package because of its different legal status from the territory as a whole, although Swapo insists that it belong to Namibia. Dr. Owen made it clear yesterday that negotiations must still take place on Walvis Bay, although he indicated that the

Western powers saw the political justice of Swapo's claims. But on the other key issue of the presence of South African troops during the election, Swapo seems to have compromised on its earlier stand that they should not be based in the militarily strategic north of the country.

If the Western package is approved by the UN, a detailed timetable would then come into operation, beginning with the appointment of the Secretary-General's special representative—expected to be Finland's Mr. M. Ahtisaari.

The plan allows three months for reducing the numbers of South African troops to 1,500, during which time Swapo guerrillas would also be confined to base, political prisoners would be released, all racial legislation repealed and the electoral procedures established.

A campaign of four months is envisaged to elect a constituent assembly. The assembly would draw up an independence constitution, and it seems probable that the members of the independence government.

If the plan is adopted, and even if there are no major difficulties in its practical implementation, there seems little hope of the target date of independence by December 1980, the time involved in present plans, the electoral campaign would not be over before February.

Editorial comment Page 16

## Lambsdorff wary of Europe money plan

BY JONATHAN CARR

BONN, July 13.

A MISCONCEIVED European monetary system might carry the risk of inflation, Count Otto Lambsdorff, the West German Economics Minister, said today in a newspaper interview.

His comments closely resemble those emerging from business, industry and the banks since the wide-ranging monetary scheme was outlined last week by the European Council in Bremen.

The thrust of much of that comment is close to the official stand of the British Government: that a wide range of currency stability in Europe is desirable but that the greatest care must be taken in working out the details.

However, the underlying German concern differs from that of the British. It is widely feared here that creating a European monetary fund, even in its first stage, would involve much greater German intervention on behalf of weaker currencies, swell German money supply and add to inflation.

Lambsdorff went further, arguing that a system not correctly established would mean a greater danger of

## The pace slackens at Distillers

THE LEX COLUMN

Distillers has doubled its profits in the last three years, but the momentum is beginning to fade. The pre-tax total for the year to March is up from £133.6m to £182.5m; most of this increase came in the first half, and it all arose overseas.

At home, sales for the industry were down about 9 per cent during the financial year, and DCL fared considerably worse than that. Its market share in the UK may have fallen by a half from an estimated 40 per cent plus a year or two ago. It is not yet clear whether sales have hit the bottom following the EEC-inspired decision to withdraw Johnnie Walker Red from the home market, but DCL hopes eventually to regain share through new brands and increased promotion.

Overseas, by contrast, DCL has outperformed the industry's rumoured that it has its eye on modest rise in export growth by quite a margin, and its U.S. sales have been noticeably strong. Overall export growth of £114m is roughly equivalent to DCL's planned target. But DCL has denied that it is at present interested in bidding for the U.S. market this spring.

The second suggestion is that Sime wants the money to buy out the minority interests in Consolidated Plantations and Tractors Malaysia Berhad. The former is stuffed with cash and the latter needs the money, so the argument goes.

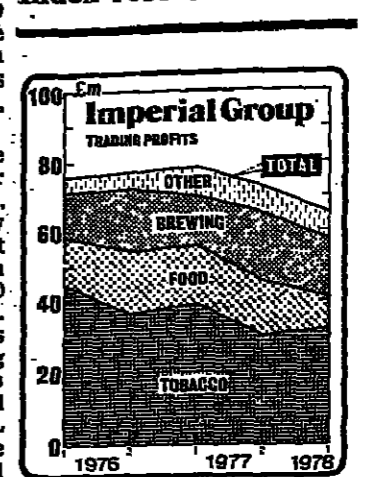
Finally, there are rumours that Sime would like to take over either Dunlop's Malaysian interests or even make a bid for the whole of Dunlop itself, likely to be dramatic: reported dividend cover is 3 times, but it is no more than about 1½ times on a current cost basis, which is what counts for a group with such a long production cycle.

Meanwhile DCL's net cash balances are pushing up towards the £100m mark, so there are no problems about financing the stockbuilding which resumed last January.

### Sime Darby

The news that Sime Darby is arranging a £100m syndicated loan has stimulated speculation that it is on the verge of making a major acquisition. In terms of the group's net worth of £173m the loan is very large, and as net borrowings at the last balance sheet date only amounted to £18m, it is obvious that it does not need the money for its existing business. So what is the company up to?

Index rose 0.3 to 473.6



It has been regularly rumoured that it has its eye on the Guthrie Corporation, which has extensive plantation interests in the Far East. The latter's market capitalisation of £114m is roughly equivalent to Sime's planned target. But Sime has denied that it is at present interested in bidding for the U.S. market this spring.

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### IMPS

Having already warned of an appreciable decline in first half profits Imperial Group came in yesterday with a pre-tax figure of £81m lower at £59m. This is distinctly on the high side of market expectations but the underlying divisional performance reveals some surprising variations. Food profits, for example, have fallen by almost 50 per cent to £81m on sales up 10 per cent. Admittedly, the comparison is with a very

good period last time and the decline had already set in before the year-end.

The main factor has been the fall-off in poultry prices (which was partly exacerbated by the supermarket price war) and escalating costs. But crisp, frozen foods and the Smedley HP business have also suffered from cost and margin pressures. The good news is that conditions generally in the UK food area seem to have taken a distinct turn for the better, while the U.S. food side had a good first half, accounting for some 30 per cent of the division's trading profit.

While food has disappointed, the tobacco division has again outperformed expectations, with trading profits of £32.3m against £39.2m last time. By rights, the benefit of lower interest charges of perhaps £4m ought to be added in here, as a result of the changeover in the duty payment system. The first half was a tough price-cutting period with Imps losing a few points in its UK market share. But the figures do not reflect the subsequent impact of BAT's launch of the State Express brand. Elsewhere, brewing profits are 17 per cent ahead, reflecting the benefit of price increases.

With a better performance overall expected in the second half, Imps is talking of pre-tax profits approaching last year's £129m. So, at 80p, shares still look attractive with a yield of almost 11 per cent.

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### Traded options

The traded options market has flickered back into life this week, and at lunchtime yesterday—after 774 contracts had been recorded during the morning—it looked as though the market would go on to surpass the May 5 daily peak of 983 contracts. In the event, however, the afternoon proved quiet and the total reached no more than 970 for the day. The sharp rise in the underlying equity market during the past week is one reason why traded options have become more active. Another is that the London market's first expiry date, July 19, is now very close.

The market makers face a problem in deciding the likely level of exercise of the options in UK conditions. There are suggestions that UK tax rules on wasting assets will lead to holders exercising options in order to establish tax losses. The next few days will tell.

## Helicopter co-operation plan

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A FOUR-NATION plan to develop a new generation of military helicopters in Western Europe has been agreed in principle by the Defence Ministers of the UK, France, Italy and West Germany.

It could eventually bring many hundreds of millions of pounds worth of business to the helicopter and other aerospace industries of the four countries.

The details, including which types of helicopter should be developed, are to be worked out over the next few months by a steering committee comprising representatives of the armed forces and the helicopter industries of the four countries, and a report will be submitted to the next meeting of Defence Ministers in early 1979.

The plan is part of a wide-ranging programme of international collaboration on new military ventures discussed at a meeting of the Defence Ministers of the UK, France and West Germany, at Ditchley Park, Oxfordshire, over the past two days.

The Italian Defence Minister was not present, but Italy has already signed the joint declaration of principles on the helicopter programme.

The other ventures discussed included possible joint work on the proposed new advanced tactical combat aircraft, which the RAF will need in the late 1980s to replace its Harrier jump-jet fighters and Jaguar jet strike-trainers, and on a range of new missiles, including anti-

tank, anti-ship, air-to-air and surface-to-air weapons.

Of the three broad areas, that covering helicopters is the most advanced. The helicopter manufacturers in the four countries—Westland in the UK, Messerschmitt in Germany, Agusta in Italy—already have their own joint agreement on future collaboration.

At least three new types of helicopter will be needed in the mid to late 1980s: a small anti-tank helicopter, a medium-sized tactical transport helicopter, and a bigger aircraft that could replace the Sea King anti-submarine warfare helicopter.

The UK has the most urgent need for new tactical combat aircraft to replace the Harrier and Jaguar. Although these will not be wanted in service until the late 1980s, the time involved in designing and developing any new military aircraft means that preliminary work must begin now.

On the need for a comprehensive economic contract, Mr. Weighell said: "If it makes sense to plan the whole economy when we are in economic distress, surely it must make more sense to plan how we share the newly-created wealth that is likely to accrue as we move towards self-sufficiency in oil."

Mr. Weighell said he absolutely believed in collective bargaining, but it was the manner of its application that was at stake.

## Sime Darby Holdings raises \$202m loan

BY JAMES BARTHOLOMEW

SIME DARBY HOLDINGS, one of the biggest plantation and trading companies in the Far East, is arranging a syndicated loan of U.S.\$202m for working capital and expansion.

The loan would be the biggest ever raised in Malaysia and has been enthusiastically received by the local and foreign bankers. The Malaysian Government is one of the largest shareholders in Sime Darby, owning just under 20 per cent through Permas Securities and more through other State-controlled bodies.

The loan will be divided into four parts—two Malaysian Ringgit loans and two Singapore dollar loans at fixed and floating rates. Further news of the detailed terms is expected today when the participation of local banks will be fixed.

Sime executives refused yesterday to disclose the purpose of the loan but sources close to the company discounted

rumours of a bid for Guthrie or Harrisons and Crossfield, British companies with large Malaysian plantations. These two, and Dunlop Holdings, all denied yesterday that they had received any approach from Sime Darby. Their shares have risen sharply in the past week. Dunlop's shares have jumped 8p to 83p in the past two days and the counter was the fourth most active yesterday.

Sime Darby has had a very chequered history recently and its latest managing director has held office for less than a year. The group has gone through a process of rationalisation, selling off interests considered to be peripheral and buying in minority stakes in some subsidiaries. Mr. Scott said recently that his aim is to "concentrate on what we do well." He said he was particularly interested in developing downstream operations.

The talks would "serve as a basis for narrowing the differences between us," Mr. Vance confessed, however, that no solution had been found to either of the two principle remaining difficulties—restrictions on the Soviet B1 bomber and limitations on the production and deployment of new strategic missile systems.

In spite of the dismay the trials have caused in Washington, Mr. Gromyko maintained that he would like to see U.S.-Soviet relations "ebber and enriched."

## Eight years' sentence

remarks that recent guerrilla attacks on Rhodesian missions "could only have come from the Smith camp."

Dr. Elliott Cabellah, Joint Minister for Foreign Affairs, invited Mr. Young and U.S. experts to Rhodesia to see the evidence on the mission attacks for themselves.

"I am deeply saddened by the fact that Andrew Young is so seriously misinformed as to the real responsibility for the horrifying murders of innocent Christian missionaries," the black Minister said.

The latest round of SALT talks between the U.S. and the Soviet Union have failed to produce a breakthrough on the outstanding issues, dividing the two sides. After two days of

At present we have over 20 offices and affiliates around the world, and we opened in Toronto. And recently opened in Hong Kong.

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## Weather

**UK TODAY**  
Warm, sunny, some rain.  
London, S. central N, NW  
England, Midlands, Channel  
Islands, Wales, Lakes, Isle of  
Man, SW Scotland, Glasgow,  
Argyll, Ireland  
Fog, sunny periods. Max 23C  
(73F).

**E. Anglia, E. England**  
Fog, sunny periods, coastal

### BUSINESS CENTRES

City	Temp	City	Temp	City	Temp	City	Temp
Amsterdam	19	London	20	Paris	21	Brussels	19
Bahran	38	Madrid	25	Rome	26	Frankfurt	19
Barcelona	24	New York	23	Stockholm	18	Geneva	19
Bombay	32	Osaka	24	Switzerland	18	Basel	19
Buenos Aires	28	Seoul	25	Denmark	18	Copenhagen	19
Calcutta	32	Singapore	28	Finland	18	Helsinki	19
Cardiff	19	Taipei	28	Sweden	18	Stockholm	18
Chennai	32	Tokyo	28	Norway	18	Oslo	19
Cebu	32	Yokohama	28	Iceland	18	Reykjavik	19
Dhaka	32	Manila	28	Faroe Islands	18	Norwegian	19
Dublin	19	Colombo	32	Greenland	18	Norwegian	19
Edinburgh	19	Delhi	32	Japan	28	Norwegian	19
Geneva	19	Dhaka	32	South Korea	28	Norwegian	19
Glasgow	19	Calcutta	32	Thailand	28	Norwegian	19
Hong Kong	28	Chennai	32	Philippines	28	Norwegian	19
London	20	Bombay	32	Malaysia	28	Norwegian	19
Los Angeles	28	Calcutta	32	Indonesia	28	Norwegian	19
Luxembourg	19	Dhaka	32	Singapore	28	Norwegian	19
Madrid	25	Calcutta	32	Taiwan	28	Norwegian	19
Manila	28	Bombay	32	Japan	28	Norwegian	19
Mexico City	28	Calcutta	32	South Korea	28	Norwegian	19
Moscow	18	Dhaka	32	Thailand	28	Norwegian	19
New York	23	Calcutta	32	Philippines	28	Norwegian	19
Osaka	24	Bombay	32	Malaysia	28	Norwegian	19
Paris	21	Calcutta	32	Indonesia	28	Norwegian	19
Reykjavik	19	Dhaka	32	Singapore	28	Norwegian	19
Rome	26	Calcutta	32	Taiwan	28	Norwegian	19
Seoul	25	Bombay	32	Japan	28	Norwegian	19
Singapore	28	Calcutta	32	South Korea	28	Norwegian	19
Stockholm	18	Dhaka	32	Thailand	28	Norwegian	19
Switzerland	18	Calcutta	32	Philippines	28	Norwegian	19
Taipei	28	Bombay	32	Malaysia	28	Norwegian	19
Tokyo	28	Calcutta	32	Indonesia	28	Norwegian	19
Toronto	28	Dhaka	32	Singapore	28	Norwegian	19
Yokohama	28	Calcutta	32	Taiwan	28	Norwegian	19
		Bombay	32	Japan	28	Norwegian	19

### HOLIDAY RESORTS

	Y'day	Y'day
	Mildly	Mildly
	°C °F	°C °F
Alexria	8 24	13 55
Algeria	8 24	13 55
Blackpool	8 18	04 46
Bordeaux	8 26	19 82
Boulogne	7 17	63 149
Cardiff	7 17	63 149
Carla Td.	9 22	61 141
Carla	8 24	93 188
Dubuforn	8 26	96 215
Edinburgh	8 21	88 210
Gibraltar	8 31	88 210
Glasgow	7 17	82 179
Hambsburg	21 70	71 160
Helsinki	17 63	71 160
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